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A HISTORY
OF
TAXATION AND TAXES
IN ENGLAND

HISTORY
OF
TAXATION AND TAXES

VOL. II.

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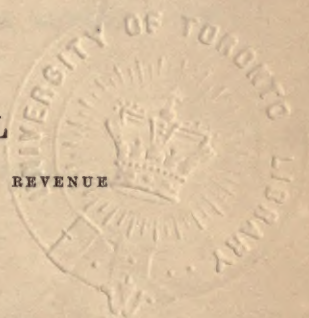
A HISTORY
OF
TAXATION AND TAXES
IN ENGLAND

FROM THE EARLIEST TIMES TO THE YEAR 1885

BY

STEPHEN DOWELL

ASSISTANT SOLICITOR OF INLAND REVENUE



VOL. II.

TAXATION, FROM THE CIVIL WAR TO THE PRESENT DAY

SECOND EDITION, REVISED AND ALTERED

LONDON
LONGMANS, GREEN, AND CO.
AND NEW YORK: 15 EAST 16th STREET
1888

A HISTORY

TAXATION AND TAXES

IN ENGLAND

FROM THE EARLIEST TIMES TO THE YEAR 1860

BY

HERBERT POWELL

ASSISTANT SECRETARY OF THE EXCHEQUER

1679
1910/91

8

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1660—1688.



CHAPTER I.

DURING THE TIMES OF THE COMMONWEALTH.

Taxes on property. The old subsidy. The commonwealth assessments. The weekly meal tax. Taxes on articles of consumption. Continuance of the port duties, tonnage of wine and poundage of goods. Tax for the redemption of captives of the pirates of the Mediterranean. The excise or new impost. Its establishment. List of articles charged. Death of the lord protector. Return of Charles II.

AFTER the commencement of the war between Charles I. and the parliament, the expenses of the contest were, at first, to a great extent, defrayed by voluntary contributions made by the supporters of either side in money, jewels, and more particularly, plate, of which there was an enormous quantity in the country; the nobles being profuse in their contributions of plate for the service of the king at Oxford, while on the parliamentary side the subscriptions of silver offerings included even such little personal articles as those that suggested the term, the 'Thimble and Bodkin' army. But when the contest was prolonged and they had 'coined pots and bowls and flagons, int' officers of horse and dragoons; and into pikes and musqueteers, stamped beakers, cups, and porringers,'¹ to such an extent that most of the old

¹ Butler, 'Hudibras.'

English plate had passed into the melting-pot, both the king and the parliament were compelled to have recourse to more systematic methods of obtaining the means for continuing the struggle, and taxes were introduced into this country for which no precedents are to be found in our previous fiscal history.

In the taxes imposed by the parliamentary ordinances we find the germs of our subsequent fiscal system. To take, first, the—

DIRECT TAXES.

The Assessments.

In the taxation of property, the parliament tried at first the old Tudor subsidy. But this, as a yearly or at the most a half-yearly tax, proved unsuited to their requirements, and in order to obtain the more rapid and continuous supply required for payment of the parliamentary forces, they adopted a system of MONTHLY ASSESSMENTS, as follows :—First, a sum was fixed, according to the exigencies of the occasion, as the whole monthly assessment for England and Wales, or Scotland, or Ireland, as the case might be. The sum varied from 35,000*l.* to 120,000*l.* It was partitioned between the several counties and towns named in the ordinance, on a calculation made by reference to the highest return ever made by the particular county or town for a subsidy, a method of valuation adopted in consequence of the diminution observable in some cases in the later returns, which showed that ‘the zeal of the people had begun to fall off;’ in other words, in order to avoid incorrect and fraudulent returns. Commissioners for the assess-

ment were named in the ordinance. And for the due payment of the sum fixed as the contribution of a particular county or town, the county or town was held responsible. The assessment of the taxpayers and the collection of the tax was therefore left, as a matter of local detail, to the local authorities, under regulations for the purpose contained in the ordinance.

The practice in the assessment of the taxpayers under the commonwealth system was very different from that for the subsidies, which had been so loose that anything approaching to a system can hardly be said to have existed. The 'subsidy men' had been put up or lowered in the subsidy books without any reasons that could be reduced to a rule. Their style of living was sometimes taken as evidence of means. It is in allusion to this that a character in an old play, speaking of the old time, says: 'I may tell you that he that had a cup of red wine to his oysters was hoisted in the Queen's subsidy book.'¹ And allowances of various descriptions had been made for which no statutory provision existed, more particularly for the expenses of position and for large families. Under the commonwealth the taxpayers were rated by the local authorities at what they were really worth; the result being, not any increase in the amount to be paid to the treasury, for that was fixed, but the more equitable adjustment of the burden of the tax as regards the various taxpayers in every particular county or town.

¹ Lyly, 'Mother Bombie,' act ii. scene 5.

The monthly assessments continued in use during the existence of the commonwealth.

Weekly
Meal Tax.

A tax curiously characteristic of Puritan times deserves a passing notice: a weekly meal tax, or necessary contribution from every person of the price of one meal a week, which he was obliged to retrench, was levied by the parliament during six years, and produced about 100,000*l.* per annum.¹

TAXES ON ARTICLES OF CONSUMPTION.

The Port
Duties.

As regards indirect taxation, the parliament, having the command of London and most of the large seaports, were able to adopt the system of duties at the ports on goods exported and imported. The customs and subsidy of wool, so fruitful of revenue in former times, were indeed abolished, in consequence of the prohibition, in 1647, of the exportation of wool; but they continued the tunnage for wine and poundage for goods, and established a new Book of Rates for the poundage. Originally imposed for a limited term only, the port duties were continued, subsequently, by ordinances passed for the purpose, and eventually, in 1656, were established for England, Scotland and Ireland, and the islands thereto belonging; not only for the 'necessary safeguard of the seas, convoy of merchants' ships and goods and the security of trade,' as heretofore had been usual, but also because of 'the necessity of the commonwealth for money to carry on the affairs

¹ 608,400*l.* for the six years in which it was collected.—Stevens, *Hist. of Taxes*, p. 290.

thereof.¹ No good purpose would be served by passing under review all the particulars of the tariff of 1656; but we may note that the imposition of higher rates for the wines of Spain—canaries, muscadels, and alicants—than those of other countries marks the antagonism existing between the commonwealth and that country,² and that our minerals come into notice in the additional duties imposed upon lead and tin on exportation and the special provisions made for securing the duties on seaborne coal, more particularly the great coal and small coal of Scotland.

Lastly, an historical interest attaches to a small additional duty on all imported merchandise, continued³ for the redemption of captives taken at sea by Turkish, Moorish, or other pirates. These pirates, famous as the cause of that ‘damage to our shipping’ and those ‘atrocities in the capture and imprisonment of our countrymen’ that were considered to amount to ‘a peril to the whole kingdom’ sufficient to justify the issue of the Ship Writs, had hitherto continued unabated; but Robert Blake, appointed a tax-commissioner for Somerset in the ordinance for the assessment in 1656, and therein described as ‘one of our generals at sea,’ had sailed, in the spring, under secret orders for operations very different from the taxation of the makers of broadcloth at Taunton

Tax for
Moorish
captives.

¹ By Ord. Dec. 16, 1647, from Mar. 26, 1648, to Mar. 26, 1651. Continued, by Ord. Mar. 11, 1650, to Mar. 26, 1653; by Ord. Mar. 22, 1652, to Mar. 26, 1654; and by Ord. Mar. 20, 1653, to Mar. 26, 1658.—Scobell, Part i. 136, Part ii. 152, 232, 279, 385.

² The importation of French wines, silk, and wool was prohibited from 1649 to 1656, in retaliation for the exclusion of our woollen goods from France.

³ See 16 Car. I. c. 24.

or Bridgewater. Before this, he had called to account for acts of piracy the Bey of Tunis, and the Dey of Algiers, whose castles of Giletta and Porto Farino he had taken, destroying also the pirate fleet. The Dey of Tripoli had been reduced to terms, and henceforth English vessels sailing on the seas within the Pillars of Hercules experienced very different treatment at the hands of the pirates of the Mediterranean.

The Excise
or New
Impost.

In addition to the port duties, the parliament introduced into our fiscal system inland duties imposed upon a great variety of articles of consumption, payable on the sale of the articles. Taxes of this description had long existed in several continental nations. To such taxes Michiel, the Venetian ambassador to the Court of queen Mary, refers, where, in his description of England, he mentions taxes imposed on salt, wine, beer, flour, meal, cloth, and other necessities of life, in all parts of Italy especially, and in Flanders, and notes the absence of any such taxes in England as 'singular and wonderful.' But taxes of this kind had always been hateful to Englishmen, who regarded them as a badge of slavery. In this view queen Elizabeth, when a project was mooted for the appointment of a surveyor of brewers in London, had been advised to refrain from taxing the national beverage, not only because 'it was doubtful whether she could, by her prerogative, grant a fee per barrel to be paid on beer,' but also because 'it was certain that, should she grant never so small a fee, the people would say their drink was "excised" as it was in

Flanders, and would repine at it.' But the success of inland duties on articles of consumption—or excises as they were termed, from the excision of a part of the article taxed—in Holland, had brought prominently into notice the advantages of taxes of this description. There had been much talk of excises when Salisbury's project for new taxes in lieu of the feudal revenue, under the Great Contract, had been under consideration; and, again, an excise had been among the projects for recruiting the king's revenue the advisers of king Charles had in contemplation in the later part of the reign. The excise was now introduced into England, upon the Dutch model, by Pym, who has been termed 'the father of the excise.'

This new system of taxation was established gradually. It originated in a resolution, passed on March 28, 1643, and carried into effect by an ordinance of the same date, which imposed upon a variety of articles of consumption, specified in a schedule, including ale and beer, cider and perry, strong waters and several other articles, an EXCISE or NEW IMPOST. Before the expiration of the year, additions were made to the list of articles subjected to excise. In January 1644, flesh, victuals, and salt; and in July, alum, copperas, Monmouth caps, hats of all sorts, hops, saffron, starch, all manner of silks and stuffs, and several other 'commodities made or growing in England not formerly charged with excise' were added to the list.¹

Originally imposed only for a limited term, the excise or new impost was subsequently continued, with

¹ Scobell, i. 49, 59, 60, 73.

certain alterations, by ordinances¹ passed for the purpose, and eventually, by an ordinance of August 28, 1647, was established for all the various articles previously taxed, with the exception of flesh and salt of home production. Foreign salt, not made within the commonwealth, still continued subject to an excise of 1*d.* the gallon.²

The administration of the excise was conducted, at a chief office established for the metropolis, by commissioners appointed by the parliament, with sub-offices and sub-commissioners for the other parts of England and Wales. A code of laws for securing the duties conferred on the commissioners and sub-commissioners considerable powers, and in particular a power to hear and determine all questions of offences; gave to the excise officers very full powers of inspection and survey, and for the seizure of forfeited articles; and enforced the laws by numerous penalties. So that it formed, in the whole, a system which, well administered, was calculated to terrify only the evil-doer and protect the fair trader, but which was peculiarly liable to misrepresentation and attack, on the ground of the apparent severity of its provisions, and as antagonistic in certain points to the principles of liberty so dear to Englishmen. Under an ordinance of Sep-

¹ An Ord. April, 1644, continues the excise for a year from Sept. 11, 1644. Another of 1644 mitigates the excise on strong waters. Another of Dec. 6, 1644, continues the excise on flesh victuals and salt to Jan. 9, 1645. Another of Jan. 29, 1645, continues the ordinances of excise or new impost to Sept. 11, 1646. Another of Apr. 25, 1646, continues them to Sept. 26, 1648.—Scobell, i. 68, 74, 75, 98.

² June 12, 1649.—Scobell, ii. 44.

tember 20, 1649, the commissioners had power to let out to farm the excise upon all or any commodities.¹

From the ingrained detestation of novelties which has ever characterised Englishmen, the opposition made in former times to the introduction into England of any new sort of tax, and the hatred of the people to taxes of this description, it was to be expected that the establishment of such a comprehensive system of taxation, having reference to articles of food and of daily necessity, and enforced by laws bristling with pains and penalties, would not be effected in England without serious difficulty. The people not only 'repined' at this excising of their food, but gave expression to their feelings of irritation in an attack on the excise office. And it is not an exaggeration of statement to say that the excise was established at the point of the sword.

Subsequently, however, when the prime necessities of life—flesh and salt—had been struck out of the list; when the duties had become blended with and formed part of the price of the articles taxed; and when the people were accustomed to the tax, parliament found and acknowledged the excise to be 'the most equal and indifferent levy that could be laid on the people,'² and recorded that opinion in an ordinance of 1649. This opinion was repeated in an ordinance of the second parliament of the protectorate, in 1656. And at this date the parliament, with a view to discharge the existing mortgages on the produce of the excise,

¹ Scobell, ii. 130.

² See recital to Ord. Aug. 14, 1649.—Scobell, ii. 72.

carry on the other urgent and pressing affairs of the commonwealth, and defray the charges of the naval forces thereof in the war with Spain and against the common enemy, reimposed the excise for England and Wales, Scotland, Ireland, and the islands thereunto belonging, with a schedule of rates and charges, and according to the Book of Values mentioned in the ordinance,¹ as follows :—

The list of articles charged was divided into two parts, of which one had relation to ‘Foreign and Imported Goods ;’ the other, to ‘Native or Inland Goods.’

Foreign
goods.

This list is printed in the Appendix. Under the head of Foreign goods are included :—wine, spirits and strong waters, beer, hops and vinegar ; salt and tobacco ; manufactured articles : woollen cloth and stuffs, dyed silk, silk lace, ribbons, gold and silver lace, and glass, earthen and stone wares ; raw materials for manufactures : silk, hemp, flax, tar, resin, pitch, wax, tallow and cable yarn ; and drugs. These are charged specifically. All other goods and merchandises were charged 1s. per 20s. according to the value in the Book of Rates for Excise.

This Book of Rates was contained in another ordinance of even date which gave the values of merchandise imported, according to which excise was to be paid by first buyer, in a list of articles amounting to several hundreds, ranging alphabetically from Agates to Wine-lees, which were used at this date for making spirits, and concluding with a sweep-

¹ Scobell, ii. 452-477.

ing clause : All other goods imported, not therein mentioned, were to pay excise according to the true value, viz. 1s. in every 20s. 'as they are valued to pay customs.'

Under the head of Native goods we find :—spirits or strong waters, beer and hops, cider and perry, metheglin and mead ; salt ; the manufactures of soap, glass, starch, gold and silver wire, tin, bar-iron, ordnance and shot of cast iron and other articles made of cast iron ; copper and lead ; oils and saffron. Native goods.

The special exemptions from the excise are :—salt expended upon the salting of any herrings, cod, ling, pilchards or any other fish ; beer expended in taking the said fish ; and imported bullion, corn, victuals, arms, ammunition, and ordnance of brass or iron.

Power was given to commissioners, as theretofore, to let out to farm the several branches of the excise ; and in 1657 an offer was made to give, for the farm of the excise and the port duties, no less than 1,100,000*l.* per annum. This seems a large sum, but, on the other hand, according to a calculation made in the previous year, it was estimated that the revenue ought to amount, without any land tax, to 1,300,000*l.* per annum.

Some revenue was derived, under the commonwealth, from licenses granted for the sale of wine.

After the dissolution of the third parliament of the Protectorate, by the lord protector, in February, 1658, the intermittent fever from which he was suffering took a serious turn, ending in his death on September 3, the anniversary of the victory of Worcester. His son

1659. Richard was declared protector by the council. Parliament met in January, but was dissolved in April. In May, 'the Rump,' that is to say, the remaining members of the Long Parliament, were restored by the army; and eventually, after the entry of Monk with the northern army into London, they dissolved, after appointing a new Convention parliament to meet in April, 1660. This Convention invited the king to return, and Charles II. entered London on May 29, in the year described in the Statute Book as the twelfth of the reign.

CHAPTER II.

FROM THE RESTORATION TO THE REVOLUTION.

1660—1688.

Settlement of the revenue after the Restoration. Grant of the old tunnage and poundage and the duties on woollen cloth. The Great Statute of Customs and the New Book of Rates. Abolition of the Court of Wards and Liveries, and Purveyance and Preemption. Proposals for a revenue in lieu of the feudal revenue. Grant of the hereditary excise. Grant of the temporary excise. The wine licenses. The revenue from demesne. Imposition of the hearth-money. Additional duties on wine and beer. Tax on law proceedings. The Extraordinary Taxes for the War: 1. Poll taxes; 2. Subsidies (the last of the subsidies); 3. Assessments. Taxation of the clergy. The tax on bankers, personal estates, offices, and land and mines. Accession of James II. Levy of the customs without a grant. Grant of the customs for life. Special taxes on wine, on tobacco, on sugar, and on French linen, silk, and brandy. List of taxes, 1688.

IN the course of the debates in the house of commons, after the Restoration, in 1660, regarding the settlement of the revenue, it was admitted that 900,000*l.* which was considered to have been the amount of the revenue in the time of Charles I, was inadequate to meet the ordinary expenses of the Crown; and the amount of the future revenue of the king was settled at 1,200,000*l.* per annum.

Having fixed the amount of the revenue to be raised, the parliament, proceeding to the question of supply, granted towards raising the sum required, the following—

TAXES ON ARTICLES OF CONSUMPTION.

The Port
Duties.

First, the old port duties, for which the name of customs was retained, including (1) tunnage on wine ; (2) poundage on goods imported and exported ; and (3) the ancient duty on woollen cloth or the old drapery.¹

The grant was embodied in an Act which contained a new BOOK OF RATES or Table of Duties and a code of customs law, and was, therefore, termed, in customs language, the GREAT STATUTE.²

Tunnage
on Wine.

In this Act the wines imported are specified as follows : Gascoign and French ; muscadels, malmsey (from Crete) and other wines of the Levant ; sacks, canary, malaga, madeira, romney, hollock, bastard, tent and alicant ; and Rhenish.

For wine imported by Englishmen the tunnage was as follows :—

	£	s.	d.
Into London, and Levant wine imported into Bristol or Southampton	4	10	0
Into any other port, and wine, other than Levant wine, imported into Bristol or Southampton ³	3	0	0
and if brought thence to the port of London, the difference in charge.			
Rhenish brought into any port, the awme, of 40 gallons	1	0	0

Additional tunnage, to be paid by the importer within nine months after importation for—

Wine of France, Germany, Portugal, or Madeira	£3	0	0
Every other sort of wine	4	0	0

¹ The prohibition of the exportation of wool was continued under the restored monarchy.

² 12 Car. II. c. 4.

³ Southampton had always been the port of landing for Levant wines. Bristol was famous for its sherry, which was called, then as now, 'Bristol milk.' It is mentioned by Pepys in his Diary, and by Defoe, in his 'Tour through England.'

Merchant strangers paid on all sorts of wine a tunnage of 1*l.* 10*s.* in addition to the ordinary rates, and also the ancient duty of butlerage, viz: 2*s.* the tun. Native merchants were liable to prisage.

Henceforth wines were free from the excise.

2. THE POUNDAGE ON GOODS was 1*s.* in the £, Poundage on Goods. that is, at the rate of 5 per cent., on goods inwards and outwards, according to their value, as ascertained by reference to the Book of Rates.

Merchant strangers exporting native commodities paid an additional 1*s.* in the £.

3. THE DUTY ON WOOLLEN CLOTH or the old drapery, The Duty on Cloth. charged at so much the piece, was calculated after the rate of two farthings and half a farthing for every pound weight, for Englishmen. Strangers paid a double rate, besides the old duty of 1*s.* 2*d.* the piece. Though still termed the duty on the old drapery, it extended to the new sort of cloth termed Spanish cloth, otherwise narrow list, and to every other sort of woollen cloth of the old or new drapery.

The Book of Rates, as settled by the House, was subscribed by the hand of sir Harbottle Grimston, the Speaker; and the grant of the port duties was to the king for life.

As a second instalment towards raising the sum required, Parliament eventually adopted certain particulars of the commonwealth excise, by granting to the king the duties termed the hereditary and the temporary excises. The Excise on Liquors.

The first of these was granted in lieu of the revenue from the incidents of the feudal tenures:—

reliefs, primer-seizin, wardships, fines on alienation and other incidents, and purveyance and preemption. The reasons for the existence of the feudal incidents had long ceased to be; and indeed the whole feudal system had long been practically obsolete. The strict enforcement of the incidents under Elizabeth had been the cause of serious complaints. So unpopular had they been found under the administration of James I. that the difficulty of finding taxes in substitution for the feudal revenue had alone prevented the execution of Salisbury's plan for its total abolition in 1610. And in the reign of Charles, when lord Cottington, as chancellor of the exchequer and master of the wards, improved the revenue of the court of wards for the king, all the rich families of England, of noblemen and gentlemen, were 'exceedingly incensed by this husbandry, and even indoted,' as Clarendon terms it, 'to the Crown, looking upon what the law had intended for their protection and preservation to be now applied to their destruction.'¹ The Court of Wards and Liveries, in which this revenue was enforced, did not long survive the commencement of the civil war. It ceased to sit from February 24, 1645; and, eventually, wardship, livery, primer-seizin, ousterlemain—all the feudal incidents, and all tenures by homage, and all fines, licenses, seizins, and pardons for alienation had been abolished, and all tenures in capite and by knight's service of the king or any other person and all

¹ Clarendon, *Hist. Reb.*, book ii. 102.

tenures in socage in chief, had been turned into free and common socage, that is, ordinary tenure.¹

In the same manner, purveyance and preemption, royal prerogatives so unpopular that a volume might be filled with excerpts from county histories of complaints regarding these 'insupportable grievances to the people,' had as such also been abolished by the parliament. All the king's officers called purveyors, victuallers, buyers, takers or caters; his commissioners by warrant and commission, who 'at will and pleasure had seized and taken the carts, waggons, carriages, and horses of the people for the removal of the king's household and for other purposes,' had ceased to be. And the people were secured against all 'seizures and takings of their hay, straw, oats, corn, cattle, victual, flesh, fish, food, timber and other chattels for provision of the king's household, at a price fixed at the pleasure of the king's officer,' or, as frequently happened, without any payment in return.

These unpopular prerogatives it was clearly impossible to revive. It was acknowledged also 'that the court of wards and liveries, and tenures by knight's service, and the consequents upon the same, had been found by experience more burdensome, grievous and prejudicial to the kingdom than they had been beneficial to the king,'² and that it was impolitic, if not impossible, to revive them.

¹ By cap. 7, which comes next to Humble Advice and Petition, in Scobell, C 6, see p. 378.

² 12 Car. II. c. 24, recital.

In these circumstances, it was arranged that the court and the resulting profits thereof and purveyance and preemption should, with the consent of the king, be formally and legally abolished, and that, in substitution for the revenue and advantage from these sources, 100,000*l.* a year should be settled on the crown.

The next question was, as it had been in 1610, from whence this sum of money should be derived?

At first, it was proposed that the amount should be apportioned between and charged upon the various counties, as in effect a land-tax of that amount; and a careful valuation of lands was made for the purpose by a committee consisting of the most considerable men of those times, who in their rating followed 'the rates observed in assessing the ship-money, as having been laid by persons who had no reason or interest to favour one county more than another.'¹

But objections were raised to this proposal. The tenures abolished affected, it was urged, only lands held in *capite* from the king; while the arrangement proposed extended to all lands, irrespective of the tenure by which they were formerly held. Unfair as regards the owners of lands not formerly held *in capite*, it could not, on principle, be maintained.

The next proposal made was that the 100,000*l.* should be charged by way of a rent-charge on such lands only as had been formerly subject to the tenures abolished. This, as it was an equitable, appeared at

¹ Davenant, Essay upon Ways and Means. Works, i. 37.

first to be a feasible, plan. But, on further consideration, this mode of arrangement appeared also liable to objection. Many years had passed since the practical abolition of the feudal tenures. The court of wards and liveries had practically ceased to exist in 1645. Under a law sanctioned by its existence, heirs had succeeded to lands as free from the burdens in question, and had held them as free for more than half an ordinary lifetime, and other lands had been put into settlement or had been mortgaged. But the case of purchasers was a stronger case, and could not be ignored. And these now demanded on what ground they who, under the sanction of laws then existing, had purchased their lands as free, could with any justice be required to compound for imaginary burdens.

These practical difficulties of adjustment induced many members of parliament to incline to the consideration of a third proposal based avowedly on grounds of expediency rather than of right, to the effect that, in substitution for the revenue and advantage from the sources which were now closed, the king should have, in lieu of the 100,000*l.* a year, a revenue to be derived from a set of duties on beer and ale and other liquors, of half the amount of those chargeable under the commonwealth excise. The advantage to the king of this proposal was at once evident to the court party. The duties, in their immediate produce, would far exceed 100,000*l.*, and the yield would increase day by day, in proportion to the increase in the consumption of the beverages

The Hereditary Excise.

charged with duty. Accordingly they put such pressure on the house of commons that, in the result, this proposal for an excise was carried.

The resolution of the House was carried into effect by an Act which remains outstanding on the statute book at the present day, and is known as the Act for the Hereditary Excise. This Act settled upon his majesty, his heirs, and successors, 'in full and complete recompense and satisfaction, as well for the profits of the Court of Wards and Liveries and the feudal tenures and incidents, as also for all manner of purveyance and preemption then taken away and abolished,' an hereditary excise, consisting of a set of duties on home-made, as opposed to imported beer and ale, cider and perry, metheglin or mead, vinegar beer, and strong water or aqua vitæ, liquors which had been charged under the commonwealth excise; on the new drinks—coffee, chocolate, sherbet, and tea, as then made and sold in the public-houses and coffee and chocolate-houses; and on foreign or imported beer and ale, cider and perry, spirits and strong waters.

The Temporary
Excise

In addition to the hereditary excise, parliament granted, after considerable debate, another set of duties, in respect of the same liquors, to the king for life. These duties, as distinguished from the hereditary, were termed the temporary excise, and the Act for the temporary excise was, in effect, a duplicate of that for the hereditary excise.¹

¹ See 12 Car. II. c. 23, and compare ss. 14–37 inclusive, with ss. 28–47, of c. 24, the Act granting the hereditary excise.

Under both Acts, the terms of the charge were almost precisely similar to those for the commonwealth excise; and the rates, almost in all cases half those payable under the commonwealth, were as follows:—

Native or Inland Liquors.

	<i>s.</i>	<i>d.</i>
Beer and ale, strong, over 6s. the barrel	1	3
„ „ small, 6s. and under the barrel	0	3
Cider and perry, the hogshead	1	3
Metheglin or mead, the gallon	0	0½
Vinegar beer, the barrel	0	6
Strong water or aqua vitæ, the gallon	0	1

Foreign or Imported.

Beer and ale, the barrel	3	0
Cider and perry, the tun	5	0
Spirits made of wine or cider, the gallon	0	2
Strong water, perfectly made, „	0	4

New Duties.

Coffee, the gallon	0	4
Chocolate, sherbet, and tea, the gallon	0	8

This list, it will be observed, includes all the liquors charged under the commonwealth excise except wine, which was now charged with an additional port duty in lieu of the excise.

The only item of importance in the list of foreign liquors was that relating to spirits made of wine, which included French brandy, a spirit for which the demand was increasing day by day.

The duty on beer and ale was paid by common brewers weekly; while inn-keepers, alehouse-keepers, victuallers, or other retailers of liquors charged with excise, paid on the liquors retailed by them, monthly,—by reference to returns, which they were

to make, of the liquors brewed, made or retailed, in the particular week or month.

Importers of liquors paid the duties, on entries made by them, before the liquors were landed.

The Crown also derived from the prerogative of granting licenses for the retail of wine an income of about 10,000*l.*, which formed part of the hereditary revenue.

THE DEMESNE.

The royal demesne was not now of any great practical importance as a source of revenue. The '1,422 manors or lordships, besides lands and farms in Middlesex, Shropshire, and Rutland,' inscribed in Domesday Book as royal demesne, and the subsequent accretions by forfeitures, escheats, &c., had at this date shrunk into a very moderate compass.

It will be remembered that, originally, the ancient demesne, consisting of lands that had belonged to Edward the Confessor and were considered to have belonged to the Heptarchic kings, was regarded as in the nature of national property; on which ground parliament, should the king, by grants of ancient demesne, impoverish himself to such an extent as to compel himself to resort to a request for a subsidy, might nullify and cancel the immoderate grants. On the other hand, the demesne, not ancient, and all accretions to the king by escheat and forfeiture, were regarded as the property of the king, which he could alienate without any fear of the subsequent interference of parliament.

But, in practice, this distinction between the an-

cient and the other demesne was not strictly observed by our kings. King after king alienated large portions of both kinds of demesne. On some occasions there were resumptions of portions of the alienated lands;¹ and after the wars of the Roses, the king still continued to be the owner of vast landed possessions. But a steady process of alienation commenced in the reign of Henry VIII., whose liberality and profusion were not exhausted in the dissipation of the treasure accumulated by his father, and the grants he made of the lands resumed from the monastic establishments. This king granted away large portions of the royal demesne, and the demesne was further diminished during the reign of his son by the enormous grants made to the friends of Somerset and Warwick. 'The inestimable wasting and consumption of the ancient revenues of the realm' was noticed as 'manifestly apparent,' by the Commons on their first grant of a subsidy to queen Elizabeth. Nevertheless the queen, whose aversion to frequent applications to parliament for subsidies is notorious, had recourse to sales of royal demesne for her necessary expenses, and from this source, also, rewarded many who had rendered faithful service to the crown. The profusion of James I. to his favourites and the sales by Charles I. in his attempts to obtain money without recourse to parliament, completed a process of reduction which at the date of the commencement of the civil war

¹ Of Resumptions. Davenant, Works, iii. 58. The subject of the alienations and resumptions of royal demesne received considerable attention subsequently in the reign of William III. It is now of no practical importance.

had cut down the revenue from the demesne to 120,000*l*. And the remainder of the demesne was sold under the commonwealth.

After the Restoration, suggestions were made for the resumption of the demesne lands, but were met by the claims of bonâ fide purchasers and other possessors of lands formerly demesne who had strong political claims on the king as promoters of his return. Eventually, however, a considerable portion of the royal demesne was restored to the king; but Charles, careless of money, with many just claimants on his generosity, and a meagrely provided exchequer, renewed the process of alienation, and in 1663 had reduced the revenue from the demesne to about 100,000*l*. a year.¹

DIRECT TAXATION. THE HEARTH-MONEY.

The revenue from all the sources before mentioned proved insufficient to make up the amount settled as 'necessary to support the king's crown and dignity,' that is to say, 1,200,000*l*. Parliament, therefore, 'considering that nothing conduceth more to the peace and prosperity of a nation, and the protection of every single person therein, than that the public revenue thereof may be in some manner proportioned to the public charges and expenses,' in order to make up the required amount, granted to the king in 1662 a house tax extending to all houses except cottages. In form this tax was copied from a French original; the charge was 2*s*. for every hearth or stove in every

¹ Return Pub. Inc. and Exp. Part II. 433.

dwelling-house,¹ and therefore the tax was known as the hearth-money or chimney-money. Extremely unpopular and at first collected with difficulty,² the tax proved subsequently, when farmed, productive of 170,000*l.* a year.

Other New Taxes.

The hearth-money proved to be an insufficient addition to the revenue, and, in the reign, additional duties were imposed upon (1) wine ; (2) beer and the other excisable liquors ; and (3) proceedings in the law courts.

1. Wine, charged under the Great Statute of the customs with duties less than those which had been payable under the commonwealth excise, stood first in the list of liquors to be taxed ; but the excessive taxation to which it was now subjected was, in a great measure, due to our jealousy of France, French wines having obtained, since the Restoration, the ascendancy in our market. In 1664, indeed, the intercourse between France and England had been materially advanced by Colbert's liberal tariff of that year ; but this tariff he was subsequently compelled, by pressure on the part of the French manufacturers, to alter, and by a new tariff, in 1667, foreign manufactures were effectively excluded from France. This formed the *first step in the long war of the tariffs between France and England*. We soon retaliated. In 1668, we raised a sum of 310,000*l.* by an imposition on wine and other liquors. Two years later, special additional duties were imposed upon wine and

War of the
Tariffs

¹ 13 & 14 Car. II. c. 10.

² Davenant, Works, i. 208.

vinegar on importation, for a term of eight years.¹ And in 1676, popular feeling on the subject ran so high that by the 'Act for raising money by a poll, and otherwise to enable his majesty to enter into an actual war with the French king,' we prohibited the importation of the wine, brandy and several of the principal manufactures of France.² The prohibition was, it is true, of no long continuance; but in the next year, the special duties on wine granted in 1670 were continued for a term of three years.³ 2. The additional excise on beer and other liquors, granted from June 24, 1671, for six years, was renewed for three years in 1676, the rates being 9*d.* for strong, and 3*d.* for small, beer, with other rates for the other exciseable liquors.⁴ 3. The duties on proceedings at law, to be collected by the officers of court and paid over to the crown, were imposed in 1670, for a term of years to expire on May 1, 1680.⁵

In consequence of the disputes that arose between the king and his parliament, these three taxes were allowed to expire.

¹ 20 Car. II. c. 1; 22, c. 3. The Dutch, whose manufactures were also excluded from France by the tariff of 1667, retaliated by the imposition of high import duties upon French manufactures and the exclusion of French wines and brandies; and in 1672 the commercial warfare produced open hostilities. The ultimate result of a war which, in consequence of a coalition against France, was prolonged for several years was, as regards the Dutch, an alteration in their favour of the tariff of 1667 by the treaty of Nimeguen (Nymegen).

² 29 & 30 Car. II. c. 1.

³ 30 Car. II. c. 2.

⁴ 22 & 23 Car. II. c. 5; 29, c. 2.

⁵ 22 & 23 Car. II. c. 9.

TAXES GRANTED FOR EXTRAORDINARY PURPOSES.

For the purpose of disbanding the army ; for the Dutch war ; and for the preparations for war against France, and other extraordinary occasions of expense during the reign, recourse was had to various forms of direct taxes, viz. poll or capitation taxes ; the old Tudor subsidy ; and the commonwealth form of monthly assessment.

The first poll, in 1660, produced 252,167*l.*, a Poll Taxes. yield which would seem to be ridiculously small, did we not bear in mind that the assessment was of the loosest description. The Englishman continued to be, practically, 'most master of his own valuation of any in Europe' ; and no bad illustration of this position of the Englishman is afforded in the action of Pepys, when in December of this year the collectors of the poll demanded from him 10*s.* for himself, and 2*s.* for his servant. He pays the 12*s.* 'without dispute,' and adds, in his Diary, 'I put by 10*l.* for them, but I think I am not bound to discover myself.' Another poll in 1666, for the purposes of the Dutch war, yielded about 500,000*l.* ; and a third, in 1677, for the preparations against France, imposed by the Act which prohibited the importation of French goods, about 150,000*l.*¹

In 1663, four entire subsidies were granted by Subsidies. the temporality ; and four subsidies granted by the clergy were confirmed by parliament in the ancient form.² These subsidies produced only 282,000*l.*

¹ Commons Journal, viii. 196 ; 18 Car. II. c. 1 ; 29 & 30, c. 1.

² 15 Car. II. cc. 9, 10.

Estates of the value of from 3,000*l.* to 4,000*l.* a year, paid, it was said, in some cases, not more than 16*l.* It was now acknowledged that the subsidy was effete as a method of taxation, and it never again was used.

Assess-
ments.

The commonwealth form of assessment was used on several occasions, and it was now settled that under this form of taxation the clergy should be combined with the temporalty. To this arrangement the clergy made no objection. Their privilege of granting subsidies in convocation had its disadvantages as well as its advantages. In former times, when their possessions were great, it had enabled them to stand in the position of purse-bearers to the king, and the church exercised towards the king a provident liberality, giving freely from a full purse in order to keep it. But the church had found it difficult to maintain the same liberality with diminished resources; and moreover, had now no reason for any extraordinary generosity to the king. Under the commonwealth assessments, the property of the clergy had been assessed in common with the property of the laity, and the clergy found their proportion of payment less under that system than under the system of separate grants. They had no wish to return to the ancient system. Accordingly it was settled that the practice under the commonwealth assessments should be continued. And, inasmuch as taxation involves representation in parliament, henceforth the parochial clergy were allowed to vote at the election of members of parliament.

Lastly, it may be interesting to note the grant, in

1670, of a sum of 800,000*l.*, to be levied in a special manner, which marks the increasing importance of the new order of *bankers*, and an inclination, on the part of the government, to select them as successors to the church in the office of purse-bearers to the king. This sum was to be levied as follows : By a rate of 15*s.* in every 100*l.* belonging to bankers, or lent to the king at above 6 per cent. ; 6*s.* in every 100*l.* on personal estates ; 2*s.* in the £ on the salaries of offices and places ; and 1*s.* in the £ on lands and mines.

Reign of James II.

The legal grant of the port duties had determined on the death of the king, but James II., after his accession to the throne, before the assembling of parliament, under the advice of his council acting on the suggestion of lord chief justice Jeffreys and contrary to the counsel of lord-keeper North, continued to levy and appropriate the duties under the pretext of a proclamation.¹ Notwithstanding this arbitrary act, the parliament subsequently granted to the king for life the revenue enjoyed by his predecessor.²

The port duties and the excises on beer and ale, taken out of farm and placed under commissioners, the first in 1671 and the other in 1683, had both considerably increased in yield. Nevertheless, it was allowed that in the whole the revenue was insufficient to meet the expenses of the Crown. For this reason

¹ See an interesting letter of Barillon to Louis XIV., giving an account of a conversation with the king on the subject of the customs. Fox, James II., Appendix. See also Lives of the Norths, ii. 110.

² 1 Jac. II. c. 1.

special duties were again imposed upon wine, and two articles of peculiar importance in subsequent fiscal history were selected for special taxation. The duties now imposed, after considerable opposition by the merchants, sugar refiners, and tobacconists, upon TOBACCO AND SUGAR, were the result of a suggestion of Dudley North, who had been, in the preceding reign, first, a commissioner of customs and, subsequently, a commissioner of the treasury, and who, having now returned to his former post at the customs, managed this affair in the Commons for the lord treasurer Rochester.

The three special taxes were as follows :—

		£	s.	d.
Wine (and vinegar), the tun :	{ French	8	0	0
	{ Spanish and other wine	12	0	0
Tobacco, the lb. :	{ Plantation	0	0	3
	{ Spanish and other foreign	0	0	6
Sugar, the cwt. :	{ Plantation :			
	{ Brown (Muscovado)			
	{ Fit for use			
	{ Foreign :			
	{ Brown			
	{ White			
	{ Loaf			

The duties, which were in addition to the ordinary tonnage and poundage subsidy of 5 per cent. according to the value under the Great Statute of Customs, were to be paid by the ‘consumptioneer,’ as the retailer was termed. The merchant, or importer, if a consumptioneer, or shopkeeper dealing in the commodities, paid the duty on the goods before they left

the custom-house or port where landed. In other cases, he was allowed to give security for payment of the duty before delivery of the goods to a purchaser.¹

Lastly, additional duties were imposed upon French and East India linen, several other manufactures of India, French wrought silks and stuffs, all other wrought silks, and brandy.²

No alteration was made in our system of direct taxation under James II. ; and, as the general result of the arrangements connected with the revenue made under the later Stuarts, we have : (1) the continuation of the old system of port duties on merchandise imported and exported, with additional taxes on wine, sugar, tobacco, and French and India linens and silks, and brandy ; (2) the substitution, in lieu of the revenue from the feudal tenures, and in supplement to the revenue from demesne, of certain items of the commonwealth excise ; (3) the imposition of the hearth-money ; and (4) the suppression of the old subsidy, in favour of the commonwealth rate or assessment, as a tax for extraordinary purposes.

¹ 1 Jac. II. c. 4. The duty on sugar was granted from June 24, 1685, to June 24, 1693, and was not renewed. The duty on tobacco was continued by subsequent Acts, and was made perpetual by 9 Anne, c. 21.

² These duties were granted from July 1685 to July 1690, when they expired. 1 Jac. II. c. 5.

THE PRINCIPAL TAXES IN FORCE IN 1688
AND THE YIELD.

I. DIRECT TAXES.

	£
The hearth-money	200,000

II. TAXES ON ARTICLES OF CONSUMPTION.

Port Duties on Exports and Imports.

The old subsidy, 5 per cent. on the value of goods as rated in 1660; tunnage on wine; and the duty on woollen cloth	577,000 ¹
Special duties granted in 1685:	£
Wine and vinegar	173,000
Tobacco and sugar	148,000
French and India linen, brandy, silks, &c.	94,000—415,000 ²

Inland Duties (Excise).

Hereditary and Temporary, on beer, spirits, cider, mead, vinegar, tea, coffee and chocolate	610,000
Wine licenses	10,000—620,000

¹ Average of 4 years, 1685-8.

² Michaelmas, 1687, to Michaelmas, 1688.

BOOK II.

TAXATION ON THE INCREASE. 1688—1815.

CHAPTER I.

FROM THE REVOLUTION TO THE COMMENCEMENT OF
THE WAR OF THE SPANISH SUCCESSION, INCLUDING
THE SETTLEMENT OF IRELAND AND THE WAR
WITH FRANCE. 1688—1702.

CHAPTER II.

THE WAR OF THE SPANISH SUCCESSION. 1702—1713.

CHAPTER III.

FROM THE PEACE OF UTRECHT TO THE COMMENCEMENT
OF THE WAR OF THE RIGHT OF SEARCH, INCLUDING
WALPOLE'S ADMINISTRATION.

CHAPTER IV.

THE WAR WITH SPAIN (RIGHT OF SEARCH) AND THE
WAR OF THE AUSTRIAN SUCCESSION. FALL OF
WALPOLE. THE WILMINGTON, PELHAM, AND NEW-
CASTLE ADMINISTRATIONS. 1739—1756.

CHAPTER V.

THE SEVEN YEARS' WAR. 1756—1763.

CHAPTER VI.

THE TAXATION OF AMERICA.

CHAPTER VII.

THE WAR OF AMERICAN INDEPENDENCE.

CHAPTER VIII.

THE TIMES OF WILLIAM PITT—BEFORE THE GREAT
WAR. 1784—1792.

CHAPTER IX.

TAXATION DURING THE GREAT WAR. 1793—1815.



CHAPTER I.

FROM THE REVOLUTION TO THE COMMENCEMENT OF THE
WAR OF THE SPANISH SUCCESSION, INCLUDING THE
SETTLEMENT OF IRELAND AND THE WAR WITH
FRANCE.

1688—1702.

Produce of the chief branches of the revenue at the date of the Revolution, 1688. Repeal of the hearth-money. Settlement of the revenue. The special tax on sugar not continued. The Civil List of 600,000*l.* per annum. Civil List increased in 1698 to 700,000*l.* Expenses of the Revolution, the settlement of Ireland, and the war with France. The poll and capitation taxes. Tax on births, deaths, marriages, and bachelors and widowers. The property or land tax. New taxes on houses and hawkers. The Excise. Additional duties on the brewery. Tax on the distillery. Tax on salt. Tax on sea coal. Tax on glass. It is repealed as a failure. Tax on tobacco-pipes. Tax on malt. Tax on leather. Decrease in the yield of the customs. The imposts of 1690 and 1692. The duties on tonnage of shipping. Additional duties on French wine and goods. The duty on whale fins. The new subsidy of 1698. Repeal of the export duties on woollen manufactures in 1700. The stamp duties. Tax on hackney coaches and stage coaches. Proposed tax on the Jews. Tax on the joint stock of the East India Company. *Résumé.* List of taxes in 1702.

AFTER the Revolution, in the course of a debate on the subject of the revenue, February 27, 1689, the house of commons ordered a computation to be made of the produce of the chief branches of the revenue at this date. And in pursuance of the order, sir Robert Howard delivered to the House, March 1, a

return, showing the produce, clear of all charges of collection, to be approximately as stated at the end of the last chapter.¹

The revenue from taxes was therefore between 1,800,000*l.* and 1,900,000*l.*

Of this amount 200,000*l.* was given up almost immediately, when the hearth-money was repealed. This tax, copied from a French original, had not proved well adapted for Englishmen. The diaries of Evelyn and of Pepys, and numerous other historical records of the time, contain abundant evidence of its unpopularity. It was hated on account of its incidence on a poorer class of persons than had been usually taxed under the easy régime of the subsidies. The necessary visits of inspection of the ‘chimney men,’ as the collectors were termed, were deemed invasions of the home of the Englishman. And the farmers of the tax were rigorous and unrelenting in their proceedings.

This popular detestation of the hearth-money is noticed by Pepys in his ‘Diary’ as existing even before the tax was farmed: ‘There is much clamour against the chimney-money,’ he notes, in June 1662, ‘and the people say they will not pay it without force.’ It is expressed, in the usual exaggerated form, in ballads of that day:—

The good old dames, whenever they
The chimney-men espied,
Unto their roofs they haste away,
Their pots and pipkins hide.

¹ Commons Journals, vol. ii. Par. Hist. v. 150.

There is not one old dame in ten,
And search the nation through,
But, if you talk of chimney-men,
Will spare them a curse or two.

And, again, the same sentiment is suggested in the climax to the following epitaph, on Rebecca Rogers of Folkestone who died August 22 1668, which is not perhaps so well known as, from its quotation by Macaulay, the foregoing ballad :—

A house she hath, it's made of such good fashion,
The tenant ne'er shall pay for reparation ;
Nor will her landlord ever raise her rent,
Or turn her out of doors for non-payment.
From chimney-money, too, this cell is free,—
To such a house who would not tenant be ?

On the other hand, the hearth-money had many recommendations from a fiscal point of view. It produced over 170,000*l.* per annum ; was paid into the exchequer punctually, was certain in its yield, and afforded unexceptionable security for a public loan. To these advantages alone can be ascribed its retention during the reigns of Charles II. and his successor.

When revolutions are imminent, the party anxious for change rarely fail to endeavour to gain popularity by promises to remit taxes, leaving the manner and means of fulfilment as matters of detail for consideration at a future and more convenient season. William of Orange and his supporters were pledged, in the usual manner, to some remission of taxation should their attempt prove successful ; and the numerous petitions complaining of the hearth-money William received, on his way from Torbay, where he landed,

to London, induced him to select that tax for reduction, or, if necessary, for repeal. On his arrival, therefore, in London, he ordered the house of commons to report on the subject, and signified his willingness to agree to a regulation of the hearth-money, or wholly to take it away, as seemed most fit.

The Commons reported that ‘the said revenue cannot be so regulated but that it will occasion many difficulties and questions, and that it is in itself not only a great oppression to the poorer sort, but a badge of slavery upon the whole people, exposing every man’s house to be entered into and searched at pleasure by persons unknown to him.’ This report settled the question. William at once consented to repeal the hearth-money.¹ ‘The government came in upon a foot of liberty,’ writes Hampden, ‘and the reason that the chimney-money was taken off was this: that every man might have his house free.’²

The repeal reduced the revenue from taxes to between 1,600,000*l.* and 1,700,000*l.*

The average naval and military peace expenditure, 1685–7, inclusive, had been 1,101,839*l.* per annum.

Settlement of the Revenue.

In the course of the debates in the house of commons regarding the settlement of the revenue, it was agreed that their majesties should have for the con-

¹ 1 & 2 Will. & Mar. c. 10. Nevertheless, in Sept. 1690 hearth-money was imposed in Scotland, at the rate of 1*s.* 2*d.* for every hearth.

² Considerations about Ways of raising Money, 1692. State Tracts, ii. 309.

stant necessary charge of supporting the crown in time of peace a revenue of 1,200,000*l.* per annum.¹

A part of this sum would be raised from the perpetual sources of revenue belonging to the crown, which were :—The hereditary excise granted in lieu of the feudal revenue ; several smaller branches of revenue, such as the first fruits and tenths, the wine licences, and the receipts from fines and forfeitures ; and the crown lands. But the produce of these smaller branches was insignificant, while of the crown lands, it was stated in debate that the ‘revenue from that source was all gone ; it is alienated from the king, he can have nothing from his land, but from parliament.’ The total income from all the perpetual sources of revenue would, therefore, go but a small way towards making up the 1,200,000*l.*

The temporary excise and the port duties had determined when James II. ceased to be king. The excise was now granted to the new king and queen for their lives, and to the survivor for life,² as it had been enjoyed by Charles II. and James II., except the duties on the retail of drinks made from tea, coffee, and chocolate, which had proved unfair in their incidence and expensive to collect, in consequence of the number of officers required for the purpose. In lieu of these, special import duties were imposed upon the tea in the leaf, coffee-berries, and cocoa-nuts and chocolate, when imported.³ The annual import of

¹ Par. Hist. v. 193.

² 2 Will. & Mar. c. 3. Further continued by 1 Anne, st. 1, c. 7, and 1 Geo. I. st. 1, c. 1, perpetuated by 1 Geo. I. st. 2, c. 12, s. 8.

³ 1 Will. & Mar. sess. 2, c. 6.

these articles was not at this date sufficient to produce any considerable revenue, if all duty paid. But the duties now imposed were so excessive that no entries at all were made at the custom house, and a system of smuggling was started, which continued to exist for generations.

It was next arranged that the old subsidy of tunnage and poundage, and the duty on woollen cloth, under the Great Statute of 1660, should be granted to the king and queen, but the question arose, for how long they were to be granted? This revenue was the mainspring of government. Without it the government of the country could not be carried on; while the king, in possession of it, could govern without the assistance of parliament. The life grant to Charles II. had enabled the council to act without a parliament; and the life grant to his successor had proved equally unfortunate in its results.

After a very careful consideration of the subject, the House in grand committee on the supply, March 27, mr. Hampden, chancellor of the exchequer, in the chair, came to the determination to grant, and did grant, the port duties to their majesties, not for life, but *for a limited term of four years*.¹ Several members had pressed for a life grant, and many others had expressed much good feeling towards the king personally; but it was 'taken for a general maxim, that the revenue for a certain and short term was the best security that the nation could have for frequent parliaments, and the question was settled on that ground.' This limitation of the grant was not, of

¹ Par. Hist. v. 561. 2 Will. & Mar. c. 4.

course, pleasing to king William, who regarded it as evidence of a feeling of jealousy of himself; but eventually he accepted the gift, under the persuasion of bishop Burnet, who explained that the limitation of the grant was due to a jealousy of those who might succeed him, and that if he would accept the gift for a term of years and settle the precedent, he would be reckoned the 'Deliverer' of succeeding ages, as well as the present.¹

The principle of a short grant of some considerable branch of the revenue has since been enforced, with a brief interval, down to the present day, when the tea duty is granted annually.

The special duties on wine and vinegar and tobacco were continued for a term; but the special duty on sugar, which had proved detrimental to our refiners for the export trade, was allowed to expire² in June 1693.

Such were the main features in the settlement of the revenue on a footing of peace after the Revolution, and the sources from which it was hoped that 1,200,000*l.* would be derived.

Introduction of the Civil List.

An alteration was now made in the appropriation of the revenue, by the introduction of what is termed the 'Civil List.' This term was used to designate the sources of revenue appropriated to produce a fund for the payment of the charges of the civil government, which consisted of the expenses of the royal household and of the civil list, more properly so termed. The

¹ Burnet. *Own Time*, iv. 76-7.

² 2 Will. & Mar. c. 5.

civil list included the judges, the ambassadors, and other members of the civil service, and also the annuitants and pensioners of the crown, and gave a name to the whole fund, which continued to be applied to the expenses of the royal household long after the civil list had ceased to be connected with them. The amount for the civil list was fixed in 1689 at 600,000*l.* per annum. The special sources appropriated for the purpose were the hereditary excise, the other hereditary revenues, and the ordinary excise. Subsequently, after the war with France, the amount of the civil list was raised, in 1698, to 700,000*l.*, in 'grateful acknowledgment for the great and successful undertakings and achievements whereby his majesty had been the happy instrument of securing to the nation and posterity the blessings enjoyed under his most auspicious government, in the free exercise of the true Christian religion, and also in our liberties and properties.' And in order to raise the additional amount, a NEW SUBSIDY OF TUNNAGE AND POUNDAGE was granted to the king for life. Any overplus from the sources of revenue appropriated to the civil list, and the remainder of the revenue from taxes, was under the control and in the disposition of parliament.¹

TAXES GRANTED FOR EXTRAORDINARY PURPOSES.

The expenses incident to the Revolution; for the settlement of Ireland; and for the war with France, rendered necessary, before the end of the century, a considerable increase in taxation.

¹ 9 & 10 Will. III. c. 23. See also 12 & 13, c. 12.

The sources from which extraordinary revenue was derived to meet these expenses were various. On many occasions, poll taxes were imposed upon persons at different rates, according to their rank, condition of life, and other circumstances, with the following result in produce :—

The first poll tax, ¹ imposed in 1689, produced	£288,000
A review of the first poll and an additional poll for 1690	23,000
The second poll tax, imposed in 1690	240,000
The first quarterly poll, imposed in 1692	579,000
A review of ditto for 1693	6,000
The second quarterly poll, imposed in 1694	486,000
The capitation tax, imposed in 1697	613,000
The third quarterly poll, imposed in 1698	321,000

The difference in the produce of the polls of different years was due to the difference in the manner of charging the tax; but no poll or capitation produced anything near what might have been reasonably expected. Davenant, taking the returns for the old hearth-money as his guide, estimates the yield of the poll of 1692 as only half what the tax should have produced. The single advantage of a poll was the facility with which it could be assessed and collected as compared with an ordinary property tax, and the assessors and collectors paid more attention to rapidity of collection than to any correct and exhaustive assessment. It was notorious that all sorts of evasions prevailed. Since its introduction into England, on a French model, in 1380, when it had in no slight degree proved the cause of the peasant insurrection, this kind

¹ Single poll, in one payment.

of tax had never been popular. It touched, as did the hearth-money, a poorer class of persons than those liable under the subsidies. It was levied with no zeal or affection by the country gentlemen, who considered it hard and oppressive, particularly to the poor. It was not a form of tax in favour with Dutch financiers. Unfair and unpopular, it eventually was dropped, as unsuited to England. The poll tax of 1698 was the last ; and henceforth this form of tax passed, together with the hearth-money, into the list of taxes tried and never again to be imposed in England. ‘What minister,’ said Henry Fox in 1748, ‘would presume again to suggest the hated hearth-money of the Stuarts, or the poll taxes of the reign of William III.?’¹

A peculiar tax, imposed in 1695, according to the rank and condition in life of persons, upon births, marriages, and burials, supplemented by an annual tax on bachelors and widowers, was suggested by a tax in force in Holland, where every one contracting marriage was charged with a sum varying from three to thirty florins, according to the class in life to which he belonged, and the same sum before having a right to bury a dead person.² It was secured by means of a register, which was required to be kept in every parish. Imposed for five years, from May 1, 1695, and prolonged to August 1, 1706, it was not subsequently renewed. The yield during the first five years was 258,094*l.*, that is to say, 51,618*l.* per annum ; afterwards it was comparatively small. A scheme of

¹ Post, p. 123.

² Over de Belastingen, Amsterdam, 1837, p. 152, quoted De Parieu, iii. 491.

these taxes is given in the Appendix. It may be noted that the tax on marriages had the pernicious effect of increasing the number of marriages by irresponsible persons unfit for the solemnity.

Settlement of the Property Tax.

Every year during the war considerable sums were raised by means of a property tax.

At first, in 1688, the old form of monthly assessment was used. Next, in 1689, a rate was tried, in respect of income, or assumed income, from personal property, taking 100*l.* of value as equivalent to an income of 6*l.*; income from offices and employments of profit (not naval or military); and the yearly value of houses, land, quarries, mines, iron and salt works, and profits from land. But the commissioners appointed by the crown were the persons who had been commissioners for the assessment in the previous year, and, as may be imagined, the assessment was made, to considerable extent, on the old lines of the last year's assessment. In 1690 the form of tax employed was a twelvemonth's assessment of 137,641*l.* 18*s.* 2*d.* per month: it produced 1,613,747*l.*; and the same method was used in 1691, when a twelvemonth's assessment was granted, and produced 1,613,874*l.*

But the 'exorbitant inequality of the old proportions of charge, both between county and county, division and division, and parish and parish,' gave rise to serious and well-grounded complaints. Moveable property had slipped out of assessment, 'neither money nor personal estate coming in to the aid,' and, in consequence of this, the pressure of the tax on the

possessors of land was excessive, to the weakening and diminishing of their estates. As then assessed and levied, the assessment was—‘as impolitic and unreasonable a method of raising great sums of money,’ writes Halifax, ‘as ever was introduced in any nation.’¹ The western and northern members of parliament, indeed, were strong supporters of a system under which the counties they represented were but lightly taxed. But the associated counties, who were highly rated, as strongly pressed for the reintroduction of a pound rate.

In 1692, when there was another rate, of 4s. in the pound, an apprehension existed that a rate would be enforced, for the Lords annexed to the Tax Bill a clause to the effect that they should have power to settle the method of assessment for property belonging to peers. This, however, they were subsequently compelled to relinquish, on the rejection by the Commons of the Bill and clause as a flagrant attempt upon their privileges. For this rate the assessors were not upon oath; it produced about 1,922,000*l*. In 1693 there was a rate of 4s., for which the assessors were upon oath; but, as remarked by Davenant, ‘in matters of revenue it has been always found that oaths are very little regarded;’² and the rate produced 10,000*l*. less than the rate for 1692. Subsequently, year after year, a rate was granted, and year after year the produce of the rate declined, as loose assessment and fraudulent returns sapped the foundation of the tax.

¹ Halifax, *Essay*; Somers, *Tracts*, iv. 63.

² *Essay upon Ways and Means*. Works, i. 53.

At last the process of diminution was arrested by parliament, who, in 1697, abandoned the principle of a rate by *fixing what a rate should produce*. 1s. in the pound was to produce 494,671*l.*, or, in round numbers, half a million ; and upon this footing a sum of 1,484,015*l.* was granted as and for a rate of 3*s.* in the pound. The sum was re-partitioned out, and charged in particular sums on the counties and towns specified in the Act ; and within every particular county and town, the sum charged was to be levied in the following manner :—First, by a rate of 3*s.* in the pound on an assumed income from goods, merchandise, and personal property, calculating these at their value, and assuming every 100*l.* of value to represent an income of 6*l.*,¹ and income from offices and employments ; and the residue of the sum, by a pound rate on the annual value of houses, land and real property. Later on in the same year, 500,000*l.* was granted to be levied in the same manner, substituting 1*s.* for 3*s.* in the pound.

In 1698, when another sum of the same amount as that granted in 1697 was granted as for 3*s.* in the pound, parliament further partitioned the tax, by enacting that every district and division should bear the same proportion of the whole charge that it had borne under the assessment for 1692. Henceforth the assessment of 1692 was to determine the quota of the district towards making up the sum charged in the Act upon the particular county or town of which

¹ The legal rate of interest at the time. In 1714 it was reduced to 5 per cent. by 12 Anne, stat. 2, c. 16.

it formed an integral part. The practice was continued in 1699, when a nominal 3s. rate was granted.

History repeats itself. As in 1334 the old system of grants of fractional parts of moveables, fifteenths and tenths, had been relinquished, and in lieu thereof a practice was adopted of granting a sum of money, to be partitioned out between the various counties and towns as for a fifteenth and tenth. As, when a rate was again adopted, in the 4s. on lands and 2s. 8*d.* on goods of the Subsidy system, again in course of time a subsidy became in practice to be in effect a demand of a certain sum in lieu of or as for a rate. So now after the Revolution, when a rate had again been tried, it fell into the same groove as the subsidy and the fifteenth and tenth ; and, though still nominally a rate of 1s. or 2s. or 3s. or 4s. in the pound, was, in effect, but a sum of about half a million, a million, a million and a half, or two millions, charged in specified amounts on particular counties and towns, and within those counties and towns portioned out between particular parishes or districts, according to the assessment of 1692.

In the assessment of the various tax-payers, it happened that, as the tradesmen and others assessed in respect of their personalty died off, or departed from the particular district, the assessors charged their quota upon the land, adding it to the previous charge upon the landowners ; so that the tax, which was intended to rest in the first instance on goods and offices, the residue only being charged on the land—intended for a general tax on property, gradually

became, in effect, a tax on land, and a most unfair one, because originally, the division of the whole sum representing the rate was extremely unequal, and as the relative riches of the different counties and towns specifically charged altered, the unfairness increased.

In 1700 a sum of 989,996*l.*, granted as for a rate of 2*s.* in the pound, produced 951,066*l.*; and after this there were grants of one-third and two-thirds of a 3*s.* rate.

In the whole the amount raised by means of assessments and rates from 1689 to 1700 was 19,174,059*l.*

This system of a grant of a certain sum as for a rate of 1*s.*, 2*s.*, 3*s.*, or 4*s.* in the pound, for the particular year, continued in force down to 1798, when Pitt, before the introduction of his income tax, made the land tax at 4*s.* perpetual, in the form of a redeemable rent charge on the various districts.

Before proceeding to state the other direct taxes imposed in the reign that henceforth figure as permanent items in the fiscal list, two abortive attempts at special taxation may be noticed:—1. A project for raising 100,000*l.*, in 1689, by a tax on the Jews, failed in consequence of the representations made that such a tax would drive them from the country; and 2. a tax on the joint stock of the East India Company, and on every share in the joint stock of the Royal African and the Hudson's Bay Companies, imposed in 1692, continued in force for a year only.¹ This tax had the effect of a caution to the public creditor. No one is more easily alarmed than the man about to lend

¹ 4 & 5 Will. & Mar. c. 15, ss. 10-12.

his money. 'That fair virgin, Public Credit, has the most delicate and susceptible constitution.'¹ And after this shock to credit, it was found expedient, if not necessary, to introduce into our Loan Acts a proviso that government annuities should be clear of all taxes and duties whatsoever, a contract with the creditor which precluded parliament from imposing, in good faith, any special tax on this species of property.

Tax on
Houses.

The hearth-money was succeeded by a fixed tax of 2s. on HOUSES, imposed, in 1696, by Montague, with higher rates for houses having more than a stated number of windows.² The local retail traders complained that this did not reach itinerant traders, and represented that they were at a disadvantage when compared with the hawkers. A tax was therefore imposed upon HAWKERS AND PEDLARS in the form of a trade license, costing 4*l.* or more, according to the number of beasts of burden used, which 'every trading person, going from town to town, or visiting other men's houses, with goods to sell,' was compelled to take out annually.³

Hawkers.

A tax on the hackney coach business in the metropolis, imposed in 1694, was in effect but an extension of the licensing system for hackney coachmen, introduced in the reign of Charles I. in consequence of the 'danger to passengers and delay to cart traffic caused in the streets and passages of old London and Westminster by the unnecessary multitude of coaches

¹ Addison: Spectator, 3.

² 7 & 8 Will. III. c. 18.

³ 8 & 9 Will. c. 23.

used therein,' under which the hackney coachmen were limited in number, and were required to be licensed by the king's master of the horse. Every hackney coachman was now required to take out a license, for which he paid 5*l.* and, subsequently, an annual rent of 4*l.*, the number of licenses being limited to 700. At the same time, a license costing 8*l.* was required for drivers of stage-coaches in England and Wales. This was intended to be annual, but, through a blunder in the Act, was made to endure for a single year. There was no provision for any renewal; and, in the result, the tax on locomotion was limited to hackney coaches.

Hackney
coaches.

II. TAXES ON ARTICLES OF CONSUMPTION.

In the Excise, considerable additions were made to the tax on the brewery, which affected only beer brewed for sale. This caused a great diminution in the number of licensed victuallers, and a proportionate increase in private brewing, in consequence of which the yield of the old excise declined by about a quarter of a million. Therefore, in the result, the public got only 170,000*l.* per annum from the additions.¹

The
Brewery.

An important alteration was now made in the method of taxing spirits. French brandy had been the spirit most generally consumed before the outbreak of the war, when we first prohibited the importation of it, and next, curiously enough, imposed a heavy tax on the prohibited spirit, for the purposes

The Dis-
tillery.

¹ Davenant. Ways and Means, Works, i. 26.

of which it was subsequently necessary to revoke the prohibition. The high duties which came into force had the effect of diminishing the supply of brandy, and raising the price of the foreign spirit to an amount which placed it out of the reach of the lower classes. A home manufacture of spirits from malt and corn now commenced in earnest, favoured by the legislature as tending to promote agriculture, to which much attention was devoted at this date; and this was taxed in a new form, viz., on the low wines, that is, the spirit produced by the first distillation at the DISTILLERY, in lieu of, as heretofore, an excise upon the spirits. The revenue from the distillery was, however, only in its commencement during the reign of William III.

To the impression that prevailed in all quarters, during the first six years of the war, that the war would not be a long war, may be attributed the neglect to increase the area of our taxation. Hitherto, Davenant observes, in taxing the people we had gone chiefly on land and trade, which is about one-third of the strength of England; that is to say, we had used only the property tax, which, as then constituted, rested in effect mainly on the land, and port duties. The other two-thirds of the strength of England we let escape; so that usurers, lawyers, tradesmen, and retailers, with all that troop that maintain themselves by our vice and luxury, and who make the easiest and most certain gain and profit in the commonwealth, contributed little to its support. All these, he observed, might, by excises, be brought

to bear their proportion of the common burden.¹ But the re-imposition of excises was what, at this time, the government were most anxious to avoid, and proposals made in the House, in 1694, for taxes on candles, soap, and leather were rejected. An excise on SALT was, however, reimposed in this year, Salt. and, in 1698, was enormously increased.

The war was now resolving itself into a fiscal contest. 'Whenever this war ceases,' wrote Davenant, 'it will not be for want of mutual hatred in the opposite parties, nor for want of men to fight the quarrel, but that side must give out where money is first failing. If we in England can put our affairs into such a posture as to be able to hold out in our expense longer than France, we shall be in a condition to give the peace; but if otherwise, we must be contented to receive it.'²

In 1695, a tax was again imposed upon SEA-BORNE Coal. COAL. Already coal imported into London was liable to a duty imposed for the purpose of building those new churches in the Italian style which Wren had raised, in the metropolis, to stand in the place of old St. Paul's and the other churches destroyed in 1666 by the Great Fire. Of late years the consumption had increased threefold.³ Coal, then carried exclusively by sea, was easily taxed. The duty now imposed touched all sea-borne coal coming from one part of the kingdom to another.⁴

The new taxes on the distillery, salt and coal

¹ Davenant, *Ways and Means*, Works, i. 62.

² *Ways and Means*, Works, i. 15.

³ *Ibid.* p. 46.

⁴ 6 & 7 Will. III. c. 18; see 9 & 10, c. 13; 1 Anne, stat. 2, c. 4.

henceforth figure as permanent items in the revenue list; but others imposed upon glassmaking, stone bottles and tobacco pipes were subsequently abolished.

Glass.

The manufacture of glass had, since the exclusion, or practical exclusion, of French glass, been brought, in a short time, to great perfection. Protected from competition from abroad, the manufacture could, it was considered, bear a duty, which was now imposed upon all glass wares manufactured in Great Britain, with an equivalent tax upon stone and earthenware bottles as rival to glass.¹ The tax on glass was not long-lived. Reduced by a moiety, in 1698, when the tax on stone and earthenware bottles was repealed as no longer necessary, it survived until 1699, and was then abolished as vexatious and troublesome to levy and collect, of small advantage to the crown, and calculated, if continued, to lessen the produce of the coal duty by much more than the revenue it would produce, hinder employment of great numbers of poor, and endanger the loss of so beneficial a manufacture to this kingdom.² The repeal was followed by a prodigious development of the trade.

Tobacco-pipes.

A tax on the manufacture of tobacco pipes was not more successful than the tax on glass wares, and after an existence of three years, 1696-99, was repealed as a failure.³

Malt.

To the prolongation of the war was due the imposition, in 1697, of a second tax falling upon beer, in the form of a duty upon MALT. Malt had been

¹ 6 & 7 Will. III. c. 18.

² 10 & 11 Will. III. c. 18.

³ 7 & 8 Will. III. c. 31.

suggested by Davenant, who had been formerly a commissioner of excise, in his essay on 'Ways and Means,' published in 1695, as an article of general consumption which might conveniently be excised, and which he calculated, if taxed at the rate of 3*d.* per bushel, would produce 525,000*l.* The yield of the duty now imposed, at the rate of 6*d.* and a fraction the bushel, was, for the first three years, on an average, 330,000*l.* a year.

The last important excise imposed during the period under consideration was a tax on leather, imposed in 1697, for three years.¹ Leather.

To pass on from inland duties to those on imported articles. The revenue from port duties suffered severely in consequence of the war and the measures of protective policy taken against France. According to the protective or mercantile system of the day, treasure or money alone was regarded as wealth, to obtain which was the proper object of commerce; and only a commerce where the value of the exports exceeded that of the imports was considered advantageous. We excluded therefore by direct prohibition, or by means of duties so excessive as to amount to a prohibition, French wine, brandy, salt, linen, silks and paper, on the ground that the importation of these commodities of the growth, produce and manufacture of France, tended to 'exhaust the treasure of the nation, lessen the value of native commodities and manufactures, greatly impoverish English artificers and handicrafts, and cause great detriment to The Port Duties.

¹ 8 & 9 Will. III. c. 21.

the kingdom in general.’¹ In these circumstances it is not surprising that the yield of the port duties decreased by nearly one-half.

As might be expected, in order to prop up the revenue from this source, additional duties were granted on several occasions. The principal were as follows :—

‘The IMPOST of 1690,’ viz. duties on East India and China goods and manufactures, wrought silks, raw silks, linen, timber imported from Europe, hops, pepper, grocery wares, articles of wrought iron, and several other articles ; in short, upon a variety of articles included in the tariff.

The ‘IMPOST of 1692,’ viz. 25 per cent. additional, upon all French goods,² and lighter duties, seldom exceeding 5 per cent., upon several goods of other nations.

In 1694, when the Spanish and Portuguese merchants successfully opposed a proposal for additional duties on wine, in lieu of the proposed duties, a special tax was imposed upon shipping, payable on the tonnage of all vessels importing merchandise into England and Wales, or carrying goods coastwise from one place to another ;³ but this tax, which was granted for four years, was subsequently repealed from May 17, 1796.

THE NEW DUTY, viz. additional duties on tea,

¹ 1 & 2 Will. & Mar. c. 34, continued for three years, 4 & 5, c. 25.

² Except wine, brandy, salt, and vinegar, which were specially taxed. 4 & 5 Will. & Mar. c. 5. Wine, 8*l.* the tun.

³ Davenant, *Ways and Means*, Works, i. 32 ; 5 & 6 Will. III. c. 20 ; 7 & 8, c. 31.

coffee, cocoa nuts, and spices. These duties, granted at first for three years, were subsequently revived and continued.¹

THE FRENCH DUTY, viz. further additional duties on French goods; for wine, 25*l.* the tun; brandy, 30*l.* the tun for single proof, and 60*l.* for double proof; and 25 per cent. upon all other French goods, making, with the 25 per cent. under the impost of 1692, 50 per cent.²

A duty on whale-fins, imposed in 1698, in lieu of half the glass duties and the duties on stone and earthen bottles and tobacco pipes. This, notwithstanding the double duty on fins imported by foreigners, went far towards the ruin of the Greenland trade. Special duties were also charged upon Scotch linens called 'twill' and 'ticking,' on importation into England.³

And lastly, the NEW SUBSIDY of 1698, for the Civil List, viz. a second set of duties of tunnage on wine and poundage on goods similar to the old subsidy of 1660.⁴ Any overplus from the subsidy was, as before stated, to be in the disposition of Parliament; and subsequently in the reign, 3,700*l.* per week was appropriated to public uses out of the excess.

The New
Subsidy.

But the history of the port duties during this period is not wholly a history of increased taxation;

Cloth and
corn
exempted.

¹ 6 & 7 Will. III. c. 7; revived, 9 & 10, c. 14; continued by 12 & 13, c. 11, and subsequent Acts.

² 7 & 8 Will. III. c. 20; made perpetual by 1 Geo. I. stat. 2, c. 12, s. 3.

³ 9 & 10 Will. III. c. 45. Cut whalebone imported (other than in fins only) was forfeited and double the value. 9 & 10 Will. III. c. 23, s. 12.

⁴ 9 & 10 Will. III. c. 23.

for in 1700, the exportation of woollen manufactures, both old and new drapery, and of corn, grain, bread, biscuit and meal, was allowed duty free.¹

We now became for the time considerable exporters of corn.

III. THE STAMP DUTIES.

In this war stamp duties were first imposed in England in 1694, on the model of the tax in Holland, where it was obligatory to use for legal documents paper stamped with the impression of the greater or the lesser seal of the states, according to the importance of the transactions. In that country the stamped paper was a government monopoly; but under the system now established in England the use of government paper was not compulsory; the required stamp or stamps might be obtained on presenting parchment or paper for stamping at the Stamp Office. Six different stamps were brought into use. One to designate a payment of 40*s.* was required for royal grants of lands, presentations to ecclesiastical benefices, and certain instruments of that class, and one of the five smaller stamps of 5*s.*, 2*s.* 6*d.*, 1*s.*, 6*d.*, and 1*d.*, for a multiplicity of other legal instruments particularly specified in the Act.² The yield for the four years, 1694–8, had been estimated at 300,000*l.*; but proved to be less than 200,000*l.*, that is, not more than 50,000*l.* a year. In 1698 additional duties were imposed, chiefly on instruments previously charged.³ The tax contained the germs of the important taxes

¹ 11 & 12 Will. III. c. 20.

² 5 & 6 Will. & Mar. c. 21.

³ 9 & 10 Will. III. c. 25.

on deeds of conveyance, settlement, mortgage and lease, and probates of wills.

Summary.

Thus, in the reign of William III., in consequence of the increase on the side of expenditure, due mainly to debt incurred during the war with France, the property or land tax, though still forming the subject of an annual grant, settled into permanence as a tax to produce, in times of peace, a million of revenue, from a nominal rate of 2s. in the pound. In lieu of one kind of house tax, repealed, another was imposed, supplemented by a tax on itinerant traders, in the form of a license tax. The tax on hackney coaches in the metropolis was imposed, in extension of an existing system of licenses ; while that on stage carriages collapsed, in consequence of an error in the Act by which it was imposed.

Under the head of excises or inland duties on articles of consumption, the national beverage was further taxed, not only directly by an increase for the brewery, but also by means of a new tax on malt, at that date the principal ingredient in beer. In lieu of the excise on spirits when sold, the home manufacture of spirits, now rising into importance, was taxed in the distillery, by means of duties on the low wines or spirits of first extraction in the course of distillation, while brandy and other imported spirits were taxed by means of import duties. The national hatred of excises prevented the government from imposing several that were suggested—on candles,

on soap, and on leather, when originally proposed, though subsequently a tax was imposed for three years. They were able, however, to tax salt and coal, and impose duties upon the manufactures of glass, stone and earthenware bottles and tobacco pipes, though only to be subsequently repealed as failures.

In the port duties, the 'old subsidy' of tunnage and poundage, and the special duties on wine and tobacco were continued; but the special tax on sugar was allowed to lapse, and the duties on exported cloth and woollen goods were repealed. There were added the new subsidy of 1698, of 5 per cent., for the civil list; the impost of 1690, the additional impost of 1692; the new duty of 1695, on tea, coffee, cocoanuts, and spices; and the special duties on whale fins and Scotch linen granted in 1698. French wine and brandy were additionally taxed; and French goods, by means of two additions of 25, forming 50 per cent.

The taxes in force in 1702 are stated on the opposite page. As regards the yield, the land tax at 2s. was, as will be remembered, another form of expression for 1 million of revenue; the other direct taxes gave about $\frac{1}{4}$ of a million. The revenue from inland duties had varied considerably in different years. In 1700, over a million, it was, in 1702, nearly 1,400,000*l.* The yield of the port duties had decreased, in 1693, to 688,000*l.*; but the effect of the additional duties was to raise it after the war to 1 $\frac{1}{2}$ million. The stamp duties yielded about 94,000*l.*

THE PRINCIPAL TAXES IN FORCE IN 1702.

I. DIRECT TAXES.

The land tax ; now annual.

On houses, 1696.¹

On trades : hackney coaches, 1694 ; hawkers, 1697.

Burials, births and marriages, 1695.

Bachelors, 1695.

II. TAXES ON ARTICLES OF CONSUMPTION.

(a) Eatables :—

Salt, 1694. Spices, 1695.

(b) Drinks :—

The brewery ; Malt, 1697.

Wine. Tunnage and special duties.

Spirits—(Distillery and imports).

Tea, coffee and	} The subsidies and the
cocoa	
	new duty, 1695.

(c) Tobacco :—The subsidies and special tax.

(d) Articles not eatables, drinks, or tobacco :—

Timber (from Europe), 1690.

Coals (sea-borne), 1695.

Whale-fins, 1698.

Imported and exported articles, generally, 2 subsidies of 5 per cent., viz., the old subsidy and the new subsidy of 1698, making 10 per cent.

French goods, 50 per cent additional.

East India and China goods, additional duties under the impost of 1690.

III. THE STAMP DUTIES, 1694.

On various deeds and instruments.

On law proceedings.

¹ The dates of the new taxes.

CHAPTER II.

THE WAR OF THE SPANISH SUCCESSION.

1702-1713.

Death of William III. Godolphin appointed lord treasurer. The Civil List. Settlement of the revenue from the Crown lands. War of the Spanish succession. Its cost. The land tax raised to 4s. The annual 'malt.' Grant of the one-third and the two-thirds subsidies of customs. The Methuen treaty and its provisions regarding the duties on wine. Transformation of the ministry. Fiscal arrangements with Scotland on the Union, 1707. Additional taxes on houses, beer, raisins, spices, and pepper. Extension of the warehousing system. New taxes on candles and leather. New tax on hops. New taxes on the manufactures of soap, paper, paper-hangings, printed silks, linens and calicoes, starch, and gilt and silver wire. Taxes on newspapers and advertisements. Additional duties on tea, coffee, and drugs. List of taxes in force in Great Britain in 1714.

WHEN Louis XIV., entering the room at St. Germain in which the deposed king of England lay dying, September 12th, 1701, told him he might die at ease on the subject of the prince of Wales, whom he would recognise as king of England, Scotland, and Ireland,¹ he, in effect, proclaimed a continuance of the war between France and England. After the death of James, and the recognition of the Pretender, by Louis XIV., our ambassador at once left Versailles. The king of France now increased his forces, while, on the other hand, the Grand Alliance between the emperor, Holland and England against France and

¹ St. Simon, *Mémoires*, iii. cap. 18, p. 217.

Spain was signed, and the necessary arrangements were made on our part for the recommencement of war.

King William did not live to take a part in the war. After his death, March 8, 1702, Sidney, lord, and subsequently earl Godolphin, next to Halifax the most experienced financier of the age, was, on the advice of Marlborough, appointed lord treasurer, and he and Nottingham, the secretary of state for the southern department, became, with Marlborough, the leaders of a mixed administration in which the tory predominated over the whig element.¹ The existing parliament determined by law six months after the death of the sovereign; and the elections resulted in the return of an enormous majority in favour of the tories.

A Civil List of 700,000*l.* a year was granted to the queen, and, in provision for its maintenance, the ordinary excise on liquors, the new subsidy of 1698, and the land revenue of the crown.

In the Act for the regulation of the Civil List an arrangement was made for the future management of the demesne. The Act recited that formerly the necessary expenses of supporting the crown, or the greater part of them, had been defrayed by a land revenue, which in the course of time had, in consequence of the grants of demesne made by successive sovereigns, been diminished to such an extent that at present it afforded very little towards the support of the queen's government. But reversions and

The
Crown
Lands.

¹ Godolphin's eldest son had married a daughter of Marlborough. Sir Charles Hedges was the other secretary of state.

remainders in the crown might fall in, and land might accrue by descent or escheat or otherwise; and by securing these from alienation, the burden upon the estates of the subjects might be eased in all future provisions to be made for the expenses of the civil government. In this view, the Act prohibited any future alienation of any crown lands, by enacting that all grants of any of the lands of the crown for more than thirty-one years or three lives should be void.¹

This legislative recognition of past transactions relating to demesne effectively secured the grantees of crown lands in their possession of them, and thus settled the long-mooted question regarding their position. In past years the question of the resumption of the alienated demesne lands had frequently been discussed both outside the house of commons and in the House. A notable battle on the subject had occurred in 1700, when the opposition introduced a Bill for the appointment of a commission of inquiry limited to the grants made since the Revolution, not indeed with any intention of an absolute resumption of the lands granted, which would have been as impolitic as unfair, but in the expectation that the measure would lead to a compromise. The Bill passed through the House. Then the whigs played their card, placing upon the table of the House another Bill by which it was proposed, in effect, to extend the inquiry to the grants made by the Stuart kings since the Restoration. This Bill also passed, and eventually both the Bills were laid aside.

¹ 1 Anne, st. 1, c. 7.

As might be expected, a second battle took place in the new tory parliament. In December 1702, a proposition was made in the house of commons for the resumption of the crown lands granted away by the late king. Walpole moved an extension of the Bill to the grants of James II. His motion was negatived; but in the result the Bill, though ordered to be introduced, never passed into law.¹

The result of this insecurity of position of the grantees of the crown lands had been to render such lands, on sale or settlement, worth less by several years' purchase than lands held under another title.

The port duties, other than the subsidy of 1698, viz., the old subsidy of 1660, the two imposts of 1690 and 1692, and the special taxes on wine, tobacco, whale fins and Scotch linen, were granted to the queen for a term, to expire in 1710; as also were the stamp duties granted in 1694 and the house tax. The duty on sea-borne coal was continued until 1708.

The Port
Duties.

It will simplify the narrative to state at once that these taxes were subsequently continued and eventually made perpetual taxes, most of them in 1709 and 1710, that on coal at the reduced rate of 3s. 4d. the ton for coals sold by weight.²

The War of the Spanish Succession.

The war in which we now engaged, in alliance with Holland and the emperor, to support the claim of the archduke Charles to succeed to the throne of

¹ Commons Journals, vol. xiv.

² See 5 Anne, c. 27; 6, c. 11; 8, c. 13, and 9, c. 21, s. 1; 8, c. 4, and 9, c. 6, s. 8.

Spain, in exclusion of the house of Bourbon, undertaken mainly with a view to prevent the union of France and Spain under a Bourbon king, which would involve, it was considered, a command of the seas, was, therefore, usually known as the *war of the Spanish Succession*, but it was also termed queen Anne's, in contradistinction to king William's, war with France. The expenses of this war formed the second step in the increase of our national debt.

The amount of the national debt of England was now about twelve millions and a half.

Our fiscal position was as follows :—

<i>Expenditure.</i>	£
Debt, annual charge	1,220,000
Military and naval ¹	1,300,000
Civil List and Civil Government .	703,000

<i>Revenue from Taxes.</i>	
Land tax at 2s.	1,000,000
Other taxes	3,250,000

The cost of the war was over fifty millions, of which twenty-one and a half were added to the national debt.

The first steps in the increase of taxation for the purposes of the war were (1) to raise the rate of the land tax from 2s. to 4s., to produce an additional million, at which rate it was granted annually during the war, together with the tax on malt, mum (a thick sort of Brunswick beer),² and cider and perry; and (2) to grant another subsidy of port duties; one-third

¹ Average, 1698-70.

² 'The clamorous crowd is hushed with mugs of mum,
Till all, turned equal, send a general hum.'—POPE.

of a full subsidy in 1703, and two-thirds in 1704. The two grants formed a third subsidy of 5 per cent., or 1s. in the £, on goods according to their value in the Book of Rates, but in customs' language they were still termed THE ONE-THIRD SUBSIDY and THE TWO-THIRDS SUBSIDY.¹

A treaty, negotiated in 1703 with Portugal, by mr. Methuen, had an important bearing upon the taxation of wine for a century and a quarter. To obtain the assent of Portugal to the Grand Alliance, and thus to secure a basis for warlike operations in Spain, should the scene of the war be transferred to that country, had formed part of William's design for the prosecution of the war. Portugal joined the Alliance in 1703, and by the terms of the Methuen treaty we bound ourselves, in return for the obligation imposed upon her to admit our woollen manufactures, to admit her wines at rates less by one-third than the rates for the wines of France. This secured to the Portuguese the results of their endeavours to improve their red wines, which they never had relaxed since the time a market was first opened for them in England in consequence of the exclusion of French wines during the first war with France; and henceforth, for generations, the wines of Portugal and Spain kept the ascendancy in the English market over the wines of France, which passed into the list of luxuries only within the reach of the rich.

In 1704 new additional import duties were granted:—On tea, 1s. the pound; on coffee; on

¹ 2 & 3 Anne, c. 9; 3 & 4, c. 5.

spices, 5 per cent. ; and on drugs, except drugs used for dyeing, 10 per cent.¹ But the yield of the port duties decreased considerably in consequence of the war, and in 1706 was less by some 300,000*l.* than the yield for 1701.

During the war, the lord treasurer and Marlborough inclined more and more to the side of the whigs, as active partisans of the war ; and in 1706, after the victory of Ramillies, Marlborough had sufficient influence with the queen to induce her to appoint the earl of Sunderland, his son-in-law, who was a whig, secretary of state. The dismissal from office, in the spring of 1708, of Harley, the leader of the tory section of the cabinet,² was followed by the retirement of Henry St. John, who was succeeded in the post of secretary at war by Robert Walpole, then a rising young man of the whig party. A transformation was thus completed in the administration, which, originally tory, was now essentially whig. This administration lasted about two years.

Fiscal Arrangements for Great Britain.

The fiscal arrangements connected with the consolidation of the kingdoms of England and Scotland under the Act of Union which created the kingdom of Great Britain, were mainly as follows :—

The port and excise duties of England were to be payable throughout Great Britain ; but a special arrangement was made regarding the salt duties. The

¹ 3 & 4 Anne, c. 4.

² He was succeeded in the post of secretary of state by the hon. Henry Boyle, chancellor of the exchequer.

quota for Scotland towards the land tax was settled at 48,000*l.*, as against two millions¹ for England, and so in proportion when any greater or less sum should be granted. The following duties then chargeable in England were not to be extended to Scotland:—The original stamp duties, which were payable up to August 1806, and the additional duties granted in 1698, which were perpetual. The taxes on houses and coal, which would determine in 1710; and the malt duty, which would determine on June 24, 1707.²

The alteration in the port duties for Scotland involved the abolition of the farm under which the duties in Scotland had been collected; and the farmers, now that their lease was about to expire, ‘eased off’ the duties and admitted an enormous quantity of foreign goods at moderate rates. In consequence of this, as soon as the restrictions on the introduction of goods from Scotland into England were removed, a flood of French wine and brandy was poured from North Britain into England. This gave rise to angry remonstrance on the part of the English traders; and serious difficulties might have arisen in consequence, had not the house of commons wisely decided to treat the occurrence as wholly exceptional—one that could not again take place. The old wooden tallies of the exchequer, so famous in future times as having provided the material for a bonfire of the houses of parliament in 1834, are stated to have been useful to us in smoothing over

¹ 1,997,763*l.* 8*s.* 4½*d.* as for 4*s.* in the *£*.

² 5 Anne, c. 8, Arts. VII.–XIII.

the difficulties attending the introduction into Scotland of the English system of port duties and excise. Traditionally the Scotch may not be easy to amuse, but the importation of these extraordinary fiscal instruments was regarded as a joke of jokes, and removed all other feelings but those of astonishment and hilarity.¹

Henceforth, the taxes granted by the Parliament of Great Britain have reference to the whole of the island.

It may be well to state, at once, what occurred as regards the taxes excepted in the Act of Union. As regards the stamp duties, the advantage to Scotland was preserved subsequently in the various stamp Acts, until 1808, when, the term for which the original duties were granted having expired, the remainder of Scotland's claim to exemption was commuted for an equivalent in the reduction of the duties on certain specified instruments relating to land in Scotland. The tax on coal after its expiration in September 1710, was continued and extended to Great Britain, at the rates of 5*s.* the calder, for coal sold by that measure, and the reduced rate of 3*s.* 4*d.* the ton, if sold by weight. The malt duty was an annual tax; and the understanding, on the part of the Scotch, would appear to have been that the tax should not be extended to Scotland in the war, and, that after the war, it would be dropped. When, therefore, in 1713, the tax was re-granted for the year and extended to Scotland, serious difficulties arose in the Lords on the introduc-

¹ Burton, *Hist. Queen Anne*, ii. 53.

tion of the tax Bill, and a motion made for the dissolution of the Union was only rejected by a small majority. The collection of the tax in Scotland was always attended with difficulty; and the riots that occurred in Edinburgh, when the tax was commuted for a small duty on the barrel of ale, are historical as the cause of the interference of Walpole, who, taking the affairs of Scotland under his more immediate control, abolished the office of secretary of state for Scotland.

With the subject of the house tax we may resume the connection with the general narrative. The advantage to Scotland was preserved in 1709, when a tax was imposed upon houses in Great Britain having twenty or more windows, in addition, as regards England, to the 10*s.* already chargeable: the rates were—for houses with from 20 to 30 windows, 10*s.*, and with 30 or more, 20*s.*¹ And articles of consumption were further taxed as follows: beer was charged with an addition of 3*d.* for strong, and 1*d.* for small, beer the barrel,² with a corresponding increase in the duties on cider and perry, metheglin and mead, and vinegar and vinegar beer; imported spirits were charged with additional duties; raisins, with an additional 5*s.* the cwt.; spices, viz., nutmegs, cinnamon, cloves, and mace, with double the existing duty; snuff, with an additional 3*s.* the pound; and pepper, with additional duties³ which raised the tax on this

¹ 8 Anne, c. 4, perpet.; 3 Geo. I. c. 8, s. 17, and 5 Geo. I. c. 19, s. 1.

² 8 Anne, c. 7.

³ 8 Anne, c. 7, s. 7, for thirty-two years from February 1709, made perpetual by 6 Geo. I. c. 4, s. 1; but as to snuff, rep. by 12 Geo. I. c. 26, s. 1.

important article of consumption to an amount so excessive as to give rise to an extensive system of adulterating pepper, from which English stomachs suffered during many generations.

A warehouse system was applied to this article similar to that introduced, in 1700, for the wrought silks of Persia, China and India, the use of which was prohibited at home, the object being to give additional security to the revenue and to relieve the export trade. Only half the duty was to be paid at once, on warehousing the pepper in a warehouse approved by the customs. Subsequently, if the trader took the pepper out of warehouse for home consumption, the other half of the duty was to be paid. But on exportation of the pepper no further duty was payable. This formed the second step in the warehousing system.

Taxes imposed upon our Manufactures: Candles, Leather, Soap, Paper, Printed Goods, and others.

But some new general and productive tax was now necessary ; and the tax selected from many which had been suggested by Davenant and others, was one which, as imposed upon an article of general consumption, would probably prove productive of a considerable amount of revenue, viz., a tax on CANDLE-MAKING. The rates, 4*d.* the pound for wax, and $\frac{1}{2}$ *d.* for tallow, candles, were raised in the next year to 8*d.* and 1*d.*¹ Private candle-making for consumption at home was allowed on payment of a composition, at

¹ 8 Anne, c. 9 ; 9, c. 6.

the rate of 1s. per annum for every head of the family of the compounder.

In 1710, a change was made in the administration. Sunderland was dismissed in June, and the lord treasurer Godolphin, in August. The treasury was placed in commission, lord Powlett being first lord, but Harley, as a lord of the treasury and chancellor of the exchequer, virtually prime minister.¹ In September the remaining ministers were dismissed, Henry St. John was appointed secretary of state, and the parliament was dissolved. After a turbulent election, the new parliament met on November 25.

Some further addition to the revenue was required for the purposes of the war ; and now was imposed the second great tax on an article of general consumption due to the war of the Spanish Succession. A tax on LEATHER had been in force for three years from 1697 to 1700 ; and of late years this article of general use had frequently been suggested as a fitting subject for taxation should it be necessary to have recourse to some new and productive tax. The duty now imposed, 1*d.* the lb.,² was in the next year raised to 1½*d.*

In the same session a further tax was imposed, indirectly, upon the national beverage. The tax on the brewery, already excessive, could not be increased. Moreover, it did not touch private brewing. A revival of the commonwealth excise on HOPS would

¹ Harley, created earl of Oxford and Mortimer in April 1711, was in May appointed lord treasurer.

² 9 Anne, c. 11 ; 10, c. 26 ; made perpetual by 3 Geo. I. c. 7.

reach, in the same way as the malt tax, beer brewed by the private, as well as by the common, brewer. The tax now imposed was at the rate of 1*d.* the lb., charged, as under the commonwealth excise, upon the grower.¹ Thus was reached the *ne plus ultra* of excise security. Many excises had been imposed upon the first buyer of the article taxed; many, upon the retailer; some, upon the dealer as opposed to the retailer, and others, upon the manufacturer; but the taxes on hops and saffron were the only excises ever in this country charged upon the grower of the thing taxed; as in other countries have been and still are charged taxes on apples, olives, chestnuts, tobacco, &c. The rate for hops was not increased for seventy years, until the war of American Independence.

Taxes of minor importance were imposed upon cards and dice, almanacs and licenses to sell wine and beer.²

1711-2. The absolute necessity of raising large supplies to carry on the war was acknowledged by the House in the next session, and we imposed several new taxes on important manufactures. Three were revivals of excises in the list of the commonwealth, on soap, starch, and gilt and silver wire; the others touched the manufactures of paper and printed goods, which had risen to importance since the commonwealth. Under the commonwealth excise, the tax on soap had been charged at so much the barrel, to be paid by the maker; that on gold and silver wire, at so much the ounce troy of silver or gold prepared for wire; and

¹ 9 Anne, c. 12.

² 19 Anne, c. 23.

that on starch, at so much the cwt., to be paid by the first buyer. But all the new taxes were imposed on the manufacture of the article taxed.

SOAP, selected as an article frequently suggested as a convenient as well as productive subject for taxation, was taxed at the rate of 1*d.* the lb. for all soap manufactured in Great Britain.

PAPER, a manufacture which had risen to importance in consequence of the exclusion of paper made in France and the assistance we derived from the French refugees after the revocation of the edict of Nantes, was charged, by the ream, at different rates according to the different kinds of paper made. Pasteboard, millboard, and scaleboard were included. And paper, printed, painted or stained to serve for hangings or other uses, was charged 1*s.* the square yard in addition to the ordinary duty.

PRINTED GOODS, as they were termed, were taxed in respect of the printing, staining, painting or dyeing of silks, calicoes, linen and stuffs. The rates were—for silks 6*d.* the yard, allowing half a yard for breadth, and half that rate for silk handkerchiefs; for calicoes 3*d.* a yard, allowing a yard for width; and for linen and stuffs 1½*d.* the yard. Calicoes, linens, and fustians dyed throughout of one colour only, and stuffs made entirely or the greater part of woollen, were exempted.

The making of STARCH had increased *pari passu* with the increase in the use of linen since the Restoration. A tax was now re-imposed upon this manufacture and upon that of gilt and silver wire.

The Tory
Stamp Act

Lastly, a tax was imposed upon NEWSPAPERS. The licenser of the press had struck his last 'imprimatur' in 1695, and in the multitude of newspapers that had since come into existence the war of parties was waged with a virulence that called for some mitigation. For political and social, as well as for fiscal, reasons, a tax was now imposed upon newspapers and pamphlets, and, at the same time, a tax upon all ADVERTISEMENTS inserted in newspapers and pamphlets. This tax on the business of the press, collected by means of stamps, was known as the Tory Stamp Act.

These important additions to the duties on native goods and manufactures were supplemented by further new import duties:—On drugs, 20 per cent. according to value, an excessive addition subsequently repealed by Walpole; on tea, 2s.; and on coffee 1s. the lb. A warehousing system was now introduced for tea and coffee similar to that for pepper introduced in 1709. It was, however, permissive, not obligatory on the importer.¹

The last additions to taxation in the reign, though made to come into force in August, 1714—that is to say, more than a year after the peace of Utrecht—fall fairly within the scope of the present chapter. They touched several of the great manufactures recently subjected to an excise, viz., soap-making, the manufacture of paper, the printing of silks, linens and

¹ See as to soap, paper, printed goods, newspapers and advertisements, 10 Anne, c. 19; leather, starch, gilt and silver wire, tea, coffee and drugs, c. 26.

calicoes, and starch ; 5*s.* the chaldron was added for coals exported in foreign bottoms, and 3*s.* for coals exported in British bottoms ; while the stamp duties were increased under several heads, including an additional 6*d.* for deeds, under the comprehensive heading of ‘deed, indenture, lease, and bond not otherwise specifically charged.’¹

After the war the rate of the land tax was reduced from 4*s.* to 2*s.* This continued to be the practically permanent rate in time of peace ; and as personal property had almost entirely slipped out of assessment, the tax was, in effect, what it was termed, the ‘annual land tax.’ Its gross unfairness as between different parts of the kingdom, different counties, and different districts was acknowledged ; but although an attempt was made, in this reign, to extend the basis of the tax and to introduce a new valuation, the landowners preferred the existing tax, with all its faults and inequalities, to a new, though probably more equal tax.

The other taxes imposed in the war remained fixtures in our fiscal list. An addition had also been made to the tax on the business of hackney coaches in the metropolis ; a small tax had been imposed upon persons keeping hackney chairs ; and another, upon licensed keepers of alehouses, and sellers of wine licensed by the king’s agents for the wine licenses, forming the commencement of a system of taxes for businesses, subsequently extended by North to vendors of tea, and by Pitt to a great variety of traders.

¹ 12 Anne, c. 9.

Establishment of the Protective System.

In accordance with the mercantile or protective system then in vogue, most of our manufactures were now strictly protected against foreign competition, more particularly against the manufactures of France. In our dealings with that country the all-important 'balance of trade' was against us. Nothing was more dreaded by our manufacturers than the recovery by the French of their former superiority in our market, more particularly in the articles of the silk, paper, glass, and what are termed the 'toy,' manufactures. The public feeling on this subject, quite as much as want of support from his colleagues, proved the cause of Bolingbroke's failure to pass through the house of commons the eighth and ninth articles of the treaty negotiated by him with France, upon which the whole treaty hinged. These articles would have put an end, practically, to that war of the tariffs between the two nations which our manufacturers desired to continue.¹

¹ The outlines of the treaty were, however, by mutual and tacit consent, the general rules of our subsequent commerce with France. Chesterfield, Letters, No. 204.

THE PRINCIPAL TAXES IN FORCE IN 1714.

I. DIRECT TAXES.

The land tax, at 2*s.*, annual.

On houses and windows, increased, 1709.

On trades : hackney coaches ; hawkers.

II. TAXES ON ARTICLES OF CONSUMPTION.

(a) Eatables :—

Salt.

Spices, new additional duties 1704, and 1709

Pepper, new duties, 1709.

Raisins, new duties, 1709.

(b) Drinks :—

The brewery, increased, 1709 ; malt, annual, and hops, 1710.

Wine.

Spirits, increased, 1709.

Tea, coffee and cocoa, increased, 1704 and 1711

(c) Tobacco.

(d) Articles not eatables, drinks, or tobacco :—

Timber from Europe.

Coals, sea-borne, 3*s.* 4*d.* the ton in lieu of 5*s.*

Whale-fins.

Drugs, increased in 1704 and 1711.

Imported and exported articles, generally, increased, 1703-4.

3 subsidies, making 15 per cent.

French goods, 50 per cent. additional.

East India and China goods, the additional duties.

(e) Manufactures, imposed 1709-11 :—

Candles.

Starch.

Leather.

Gold and silver wire.

Soap.

Newspapers.

Paper.

Advertisements in newspapers.

Printed goods.

III. THE STAMP DUTIES.

On various deeds and instruments, increased.

On law proceedings.

The annual charge for the Debt was now (1715) 3,100,000*l.* (to include interest, management, and life and termable annuities) ; the capital debt had risen to 37 millions.

CHAPTER III.

FROM THE PEACE OF UTRECHT TO THE COMMENCEMENT
OF THE WAR OF THE RIGHT OF SEARCH, INCLUD-
ING WALPOLE'S ADMINISTRATION.

1713—1739.

Death of Queen Anne. The last lord treasurer. Townshend and Walpole in office. Walpole's scheme for a sinking fund. Dismissal of Townshend in 1717. Walpole resigns. The Stanhope administration. Sunderland prime minister, 1718. The war with Spain. Walpole and Townshend in office. Carteret secretary of state. Carteret sent to Ireland. Walpole in power. Reform of the tariff. The timber duties. Repeal of the duties on raw silk, drugs for dyeing, beaver skins as the material for hats, rags and old cordage for paper-making, whale-fins, oil, and blubber. Repeal of the additional duties on drugs. Settlement of the duty on pepper and spices. Repeal of the duties on all manufactures exported. The new book of rates. Warehousing system for tea. Repeal of the tax on salt. The land tax at 1s. Reimposition of the tax on salt. The excise Bill for wine and tobacco. Opposition to the Bill. It is withdrawn.

WHEN the Queen's strength was failing, a few days before her death, the whig dukes of Argyll and Somerset attended a meeting of the privy council and, offering their assistance, suggested the advisability of recommending the Queen to appoint the duke of Shrewsbury to the post of lord treasurer.¹ This the Queen did, August 1, 1714; and by Shrewsbury and the other lords justices appointed for the purpose, including Somerset and Argyll and the lords Cowper,

¹ Stanhope, *Hist. Eng.*, i. 133.

Halifax, and Townshend,¹ the government was carried on until the arrival of the king. But before this Bolingbroke had been dismissed. ‘I see,’ said he, ‘that the tory party is gone.’

In October the patent of the lord treasurer was revoked by the king; and Charles, duke of Shrewsbury, the head of the illustrious house of Talbot—clarum et venerabile nomen—was *the last of the lord treasurers*. The office has since been executed by lords commissioners for the purpose, termed ‘lords commissioners of the treasury,’ comprising the first lord, always, after Walpole’s long tenure of office, the prime minister, the chancellor of the exchequer or minister of finance, a post not unfrequently held by the first lord, and, at present, three junior lords.

The new elections which followed the determination of the existing parliament by law six months after the demise of the sovereign, resulted in a considerable whig majority in the house of commons. The whig administration now formed included the veteran Halifax, raised to an earldom, as first lord of the treasury; Townshend, as one secretary of state, and general James Stanhope, whose appointment was due mainly to Townshend and Walpole, as the other;² 1715.

¹ Charles, viscount Townshend, son of sir Horatio Townshend, who had been rewarded with a peerage after the Restoration for his services to the Stuart family. Originally a tory, but afterwards by conviction a whig, he had acted with Somers and supported the whig party.

² The earliest authentic record of a secretary of state is in the reign of Henry III., when John Maunsell is described as *secretarius noster*, A.D. 1253. Towards the close of the reign of Henry VIII. two secretaries were appointed. The Secretary of State’s office was divided into the Southern and Northern departments. The Southern secretary had the management of home affairs and of the correspondence with Ireland, the

Pulteney, as secretary at war, and Walpole, Townshend's brother-in-law, as paymaster of the forces. After the death of Halifax, in May, Townshend took the lead in the administration; and in October, Walpole was appointed first lord of the treasury and chancellor of the exchequer, under Townshend. With this administration commenced a period of whig ascendancy which under Townshend, Walpole, the Pelhams and Pitt, had an almost uninterrupted duration of nearly half a century.

The expense incurred in the suppression of the attempt of the Pretender rendered necessary the grant of a 4*s.* land tax in 1716; but in 1717 the rate was lowered to 3*s.*

When Walpole was first placed at the head of the treasury the national debt was about thirty-seven millions. The common interest of money had been reduced in 1714 to 5 per cent.; but the interest on some of the debts ran as high as 8, and on none lower than 6 per cent. In March 1717 Walpole brought forward his famous plan for the reduction of the interest on the national debt, and for forming a sinking fund. But while these measures were yet under consideration in the house of commons a disruption of the administration was effected by the intrigues of Sunderland, who obtained first the removal of Towns-

colonies, and the western states of Europe. The Northern secretary conducted only correspondence with the other European countries. Upon the union of England and Scotland, a third secretary was added, for Scotch affairs, but this appointment was afterwards laid aside. Another third secretary, for the American or colonial department, created subsequently in 1768, was abolished in 1782.

hend, from the post of secretary of state, to the lord-lieutenancy in Ireland, and subsequently, in April, 1717, his dismissal.¹ Upon this, Walpole resigned office ; and Methuen, who had succeeded Townshend as secretary of state, the duke of Devonshire, and Pulteney, all followed his example.

In consequence of his resignation of office on this *schism in the whig party*, Walpole was compelled to leave his financial measures to be completed by his successor. 'I hope,' he said of the Bill he had introduced, 'it will not fare the worse for having two fathers, and that my successor will take care to bring it to perfection.' Stanhope, who now took the posts of first lord of the treasury and chancellor of the exchequer, and became prime minister in an administration in which Sunderland and Addison were secretaries of state, carried through the measures prepared by Walpole for the sinking fund and the reduction of the interest on the national debt, but subsequently, finding his powers inadequate to the management of the finances of the country, retired from the treasury. Under a re-arrangement of the ministry, March 18, 1718, Sunderland became first lord and prime minister ; Aislachie, chancellor of the exchequer ; Stanhope, with an earldom, took Sunderland's post of secretary of state, and Craggs succeeded Addison.

1718.

¹ Sunderland, sent to Ireland as lord lieutenant, had resigned the post a few months after his appointment, in order to take that of lord privy seal, vacant by the death of the duke of Wharton. After the death of his wife, the second daughter of the duke of Marlborough, in 1716, he obtained the king's permission to recruit his health abroad at Aix-la-Chapelle, whence, proceeding to Hanover, he gained over to his views Stanhope, the secretary in attendance on the king.

The war with Spain 1718–21 cost us about four millions and a half; and during the war the land tax was granted annually at the rate of 3s.

1721.

In June 1720, Townshend and Walpole again took office, as president of the council, and paymaster of the forces. On the death of Stanhope in the following February, Townshend succeeded to the post of secretary of state, and as the accusations against Sunderland in connection with the South Sea scheme were too strong to admit of his continuance in the post of first lord of the treasury, the administration was reconstructed under Walpole. Again first lord and chancellor of the exchequer, taking the seals of this post from the lord chief justice, into whose hands they had been given on the accusation of Aislalie of participation in the frauds connected with the South Sea scheme, of which he was subsequently convicted, he now established the firm as ‘Walpole and Townshend,’ in lieu of ‘Townshend and Walpole,’ as it had been when the brothers-in-law were in office together in 1716. Mr. secretary Craggs died of small-pox on the day on which the report of the secret committee on the South Sea scheme was brought up in the house of commons, and by the influence of Sunderland, John, the famous lord Carteret, then thirty-three years of age, who had entered public life under his guidance and that of Stanhope, was appointed to the vacant post. Sunderland died in April 1722, and in 1724 the brothers-in-law managed to get rid of Carteret.¹ He was removed to Ireland as lord-

¹ He was regarded by Walpole as a formidable rival, and was ever at

lieutenant. His post of secretary of state, with the southern department, was given to the duke of Newcastle, Townshend's brother-in-law, whose family and enormous borough patronage made him a peculiarly desirable colleague to Walpole;¹ and the duke's brother, Henry Pelham, the future prime minister, who had occupied a place at the treasury board, became secretary at war. Pulteney, taken into the ministry in 1723, had failed in intrigues for the post of secretary of state, and now set himself at the head of the opposition, acting, as head of the whig patriot or whig out of place party, in conjunction with sir William Wyndham and the Hanover tories, and those who held ultra views and were influenced by Bolingbroke.

Townshend and Walpole, with the Pelhams and the Cavendishes, a family of which the head, the duke of Devonshire, president of the council, was ever a consistent supporter of Walpole, formed so powerful a combination, that when George II., on his accession to the throne, would willingly have ap-
 1727.

pointed sir Spencer Compton prime minister, Compton acknowledged himself unequal to a task which would have sent many powerful families into opposition. Walpole's assistance proved of great use to the king

variance with Townshend, with whom he came at last to an open rupture on a question of minor importance that arose at the court of France.

¹ Thomas Pelham Holles, duke of Newcastle, had succeeded to the family peerage of Pelham at an early age, and having inherited a large portion of the property of his maternal uncle, John Holles, duke of Newcastle, had been created earl of Clare, and, in 1715, duke of Newcastle, by George I. He had supported the first administration of Townshend, but on the schism in the whig ministry, in 1717, had attached himself to Sunderland, by whose influence he was appointed lord chamberlain. On the coalition in 1720, he again joined Townshend.

in the preparation of his speeches and the other arrangements consequent upon the commencement of the new reign ; and this, and his liberal proposals with regard to the civil list, and the influence the queen exerted in his favour induced the king to retain him in the position of prime minister. This position he continued to hold until 1742 ; and the length of his administration and the power and influence he had in government established the post he held of first lord of the treasury as, in future, that of the prime minister of the day.

During this long administration Walpole effected many measures of great fiscal importance. In our times his name is perhaps best known in connection with the measure originated by him in the Townshend administration, relating to the Sinking Fund for the reduction of the national debt. This, however, was not a great success ; for the Sinking Fund was before long diverted from its original purpose, and eventually became the principal fund from which the charge for the public expenditure was defrayed.¹ The plan could only hold good while there existed an effective surplus of revenue over expenditure, and when expenditure increased, in lieu of imposing additional taxes to feed the fund, it was, in effect, gradually abandoned. The amendment he effected in the tariff ; his attempts to mitigate smuggling by means of the warehouse system ; and the measures involved

¹ In 1786, more than half of the total amount of interest on the Funded Debt was paid out of the Sinking Fund, and more than three-fifths of the Ways and Means applied towards the subsidy grants were also taken from this source,

in his attempt to reduce the land tax to the lowest possible rate, form the most interesting and perhaps the most important of his measures while in office.

Reform of the Tariff.

First as regards the tariff. 'He found our tariff the worst in the world, and left it the best,' writes his well-known biographer archdeacon Coxe. The principal amendments effected by Walpole in the tariff (to exclude his treatment of the items tea, coffee and cocoa-nuts, wine and tobacco, of which more is said hereafter) were carried out in the years from 1721-4. They affected timber from America; the silk, paper, and hat manufactures; drugs used in dyeing; whalebone in fins; drugs; pepper and spices; the exportation of British goods and manufactures; and all articles not rated to the customs in the Great Statute of 1660.

We had for a long time suffered, in England, from the scarcity of timber, and required a considerable supply from abroad for the purposes of house-building and ship-building. In America, we preserved in several of our colonies all white pine and timber of that kind fit for masts for the navy, by means of severe penalties on persons felling and destroying them, timber being one of the 'enumerated articles,' of colonial produce secured to us under the provisions of the Navigation Act; but in consequence of the import duties, we derived but little timber from America, and were driven for our supply to the foreigner at his own price, which was excessive, par-

1718.

ticularly in times of war. In the view that an abundant supply of wood, timber, lumber and hemp¹ from America might be secured if only due encouragement were given to the trader, Walpole repealed the duties on these articles when imported from our plantations, and extended the penalties for the protection of timber to Nova Scotia.²

1721. The silk manufacture had attained a development that raised it to a place among the most considerable manufactures in the kingdom, more particularly at Spitalfields, where the refugees from the persecution that followed on the revocation of the Edict of Nantes had established their business. But the high duties on imported raw and thrown silk, without any allowance for drawback or return of duty on the exportation of the manufactured articles, placed our manufacturers at a disadvantage in competition with the foreigner, and prevented the development of a foreign trade. A drawback on exportation was now allowed, at stated rates, for ribbons, silk stockings, gloves, fringes, and laces, stitching or sewing silk, stuffs of silk and program yarn, and stuffs of silk and cotton and silk and worsted.³

For the encouragement of our manufactures, the import duties on drugs, of which indigo was perhaps the most important, and all other articles used in dyeing, and those on old rags, as the best material for paper, and on ropes or junks or old fishing nets

¹ In 1703 Sweden raised the price of naval stores against us, and in 1704 we had granted a bounty on the importation of tar, pitch and resin, hemp and masts from America, 3 & 4 Anne, c. 10.

² 8 Geo. I. c. 12.

³ 8 Geo. I. c. 15.

fit only for the manufacture of paper or pasteboard, were repealed, and those on beaver skins, then the ordinary material for the manufacture of hats, were considerably reduced.

The duties on whale-fins, which had utterly ruined the Greenland fishery, were repealed as regards all whale fins, oil and blubber caught in the Greenland seas by the crew of a British ship and imported by a British subject; and this exemption from duty was subsequently extended to seal oil and seal skins and all fish or creatures taken in those seas, and, as extended, was applied to Davis's Straits and other parts of the seas adjoining thereto.

The additional 20 per cent. on drugs, imposed in 1711, had proved prohibitory to the fair trader and had brought into existence a system of smuggling those articles. It was, therefore, repealed.

The excessive duties on pepper and spices—mace, cloves, and nutmegs—articles of almost general consumption, were reduced. Under the Acts in force, these articles were charged with seven separate duties, according to their value in the Book of Rates, for the subsidies of 1660, 1698, 1703, and 1704, the new duty, the new additional duty, and the further new duty, and the proceeds of these different impositions were, under appropriation clauses in the different Acts, appropriated to paying off different loans. In lieu of this complicated system, the tax was imposed in the form of a single duty according to weight, viz., on pepper 4*d.*, mace 3*s.*, cloves 2*s.*, and nutmegs 1*s.* 6*d.* per lb.

Duties on
British
goods re-
pealed.

It will be remembered that the export duties on woollen manufactures, and corn, grain, biscuit, and meal, under the 'outwards' table of duties in the Great Statute, had been repealed in 1700. Walpole now extended the repeal so as to allow *all goods and merchandise of the product or manufactures of Great Britain to be exported duty free*. The only exceptions were certain minerals:—Alum, lead, lead ore, tin, copperas, litharge of lead and lapis calaminaris and coal; the raw materials for the manufacture of leather, viz., leather tanned, skins of all sorts, and glue; wool cards and white woollen cloths; the raw materials for the manufacture of hats—coney hair or wool, and hare's wool, hair of all sorts, and horses.

New Book
of Rates.

Lastly, a new Book of Rates, signed by sir Spencer Compton, as Speaker, was passed, relating to goods not specified in the original book of rates in the Great Statute, which had hitherto paid duty on the oath of the importer—a most unsatisfactory method of valuation.¹

Such were the improvements effected by Walpole in our tariff; he might, with advantage to the officials

¹ It may be interesting to mention one or two of the articles at this date 'usually imported' which are not in the old book of rates of 1660:—Babies, jointed, valued at 2*l.* the dozen. Coker nuts for cups, like the mazers of olden time. Corks, ready made, 1*s.* 8*d.* the gross of twelve dozen. Mum. Brandy—of France, 30*l.*; of Spain, Portugal or Italy, 15*l.*; and of other countries, 20*l.* the tun; geneva, 15*s.*, rum, 1*s.* 8*d.*, citron water, 1*l.*, and usquebaugh, 10*s.*, the gallon. Spruce beer. Sausages of Bologna. Stockings of thread or cotton, 1*l.* 15*s.* the dozen. Tea tables lackered and unlackered. Pymont water and other mineral or natural waters and Spaw water. See as to these alterations in the customs, 8 Geo. I. c. 15; 10, c. 16, and 11, c. 7.

of the customs and the merchants, have extended his reforms to the laws of the customs ; for about this date, some Tables were prepared by C. Carkesse, secretary to the commissioners, comprising in one view ‘the several duties upon each particular commodity specified in the old book of rates or any other Act of Parliament, and the net duties payable thereon at importation,’ which, so numerous were the enactments on the subject, occupied no less than 117 closely-printed pages.¹

But the most important fiscal measures of Walpole had relation to tea, wine and tobacco, the salt tax, and the land tax.

The land tax had been granted annually at the rate of 3s. from 1717 to 1721, but in 1722, Walpole was able to reduce the rate to 2s. He then turned his attention to the means of improving the revenue by mitigating smuggling, which, created and fostered by the excessive duties imposed since the Revolution, in the first war against France and the war of the Spanish Succession, had now grown into an extensive system. In these days we should reduce the excessive duties, secure from long experience that such a course would inevitably be followed by a decrease in smuggling and an increase in consumption sufficient to recoup the revenue. But in Walpole’s time the reduction of an excessive duty was an experiment ; and, as a practical man, he preferred to attempt to effect the object he had in view by applying to the articles smuggled the system of collection in force

Land tax
at 2s.

¹ First report of the commissioners of customs.

for inland duties, as affording, in his opinion, greater security to the revenue than the ordinary system of the customs.

What article should he select for his first trial of the system? The principal importation of wine and brandy from France was effected by the smuggler. Tobacco, now an article of almost universal consumption, formed another lucrative item in the smuggler's list. But the increasing demand for tea, the facility of smuggling a high-priced and dry article of this kind, and the excessive duties to which tea was subjected,¹ in combination fostered such an extensive system of smuggling as in effect to strangle the tax.

The warehousing system introduced for tea and coffee in 1711 was not obligatory: ² the importer was not required to warehouse his tea and coffee, should he prefer to pay the duty down at once. Walpole now made warehousing compulsory, establishing warehouses for tea, coffee and cocoa nuts, in which these articles on importation were to be deposited after payment of a small duty, and from which they might be taken for exportation without any further payment. The full tax was chargeable only when they were taken out for home consumption. At the same time additional security for the revenue was gained by applying to the tea, coffee, and cocoa nuts

¹ In addition to the ordinary 5 per cent. subsidies on the value of 1660 and 1698, the one-third and two-thirds subsidies of Queen Anne's war, and the additional impost, the special taxes per lb. of 1s. imposed in 1695, 1s. imposed in 1704, and 2s. imposed in 1712.

² 10 Anne, c. 26, s. 34.

a system of supervision and survey after the manner of the excise system.

This measure of 1723 proved so successful that in seven years the revenue increased by 120,000*l.* *The duties were still nominally duties of customs.*

The land tax continued to be granted annually at the rate of 2*s.* until 1727, when there was a 4*s.* rate for preparations for the approaching rupture with the emperor and Spain; but in 1728 and 1729 the rate was 3*s.*, and in 1730 Walpole was able to reduce it again to 2*s.* The prosperous state of the revenue now enabled him to repeal the tax on salt. Always unpopular, for many reasons, it was now abolished as having proved burdensome to the poor, injurious in its operation, as regards the dressing and curing of leather, the manufacture of glass bottles and others of our manufactures, and lastly, injurious to our fisheries, the nursery of our seamen, and more particularly to the important herring fishery.

Walpole's next step was the important experiment of the reduction of the rate of the land tax. 'The landed men had long complained, that they had ever since the Revolution borne the heat and burden of the day for the support of the Revolution Government; and as the great pressure of the last war had chiefly lain on them, the land having for many years been taxed to 4*s.* in the £, they now began to say that since the public tranquillity both at home and abroad was firmly and universally established, if ease was not at this time thought of for them, it was a declaration from the government that they were never to

expect any; and that 2s. in the £ on land was the least that they or their posterity, in the most profound peace and fullest tranquillity, were ever to hope to pay.’¹

Walpole now endeavoured to attach the landed gentry to the House of Hanover by an alleviation of this cause of constant complaints. The tax he acknowledged had ‘continued so long and lain so heavy that many a landed gentleman in this kingdom had thereby been utterly ruined and undone.’ In this view the rate was lowered in 1731, for the first time, to 1s. By the reduction he gave up 500,000*l.* of revenue.

The land tax was granted in 1732 again at 1s.; and in order to enable him to continue it at this low rate, he revived the tax on salt, notwithstanding the unequivocal manner in which it had been condemned so lately as in 1730. This tax produced only one-third of the half million produced by 1s. on land; it was therefore necessary to find some other fund to supply the other two-thirds.

The Warehousing Bill for Wine and Tobacco.

At this date the demand for French wine for the richer classes was supplied by the smuggler; and at a very low estimate, more than half the French wine consumed in England was wine that had not paid any duty. The extent to which smuggling was carried on in 1732 was revealed in the report of sir John Cope’s committee of the house of commons. It appeared from the depositions on oath that, in the

¹ Lord Hervey, *Memoirs*, i. 160.

space of two years, 4,738 hogsheads of wine had been run in Hampshire, Dorsetshire and Devonshire only ; but the system was managed with such art, or the connivance of the officers so effectually secured, that only 2,808 hogsheads had been condemned within the period of nine years. On inquiry 30 officers had been dismissed, and informations had been entered against 400 persons, 38 were committed to gaol, 118 admitted to evidence, and 45 had compounded. The frauds committed in the smuggling of wine, brandy, tobacco and tea were described in the report, which, in the course of it, displayed scenes of dishonesty, perjury, informing, violence, and murder, which appeared beyond belief.¹

For the purpose in hand, Walpole now introduced into the house of commons, in 1733, his famous Bill for warehousing wine and tobacco, by which, upon a plan similar to that which he had introduced, in 1723, for tea, with such success, he expected to be able to stop smuggling and effect an improvement in the revenue which would enable him to continue the land tax at the rate of 1*s.* in the pound.

The case against the land tax was clear. A more unequal and unfair tax never existed in this or any other country at any time. The round sum of about half a million, a million, a million and a half, or two millions, granted as for a nominal rate of 1*s.*, 2*s.*, 3*s.*, or 4*s.* in the £, was partitioned out and charged upon the various counties and towns mentioned in

¹ Report of sir John Cope's committee regarding the frauds committed in the revenue, June 7, 1732.

the annual Act, in specified sums, according to an assessment made as far back as 1692. The original assessment was far from fair, for party feeling ran high at the time, and this circumstance had affected the returns upon which the assessment was founded. Districts that favoured the new order of government had made high returns, while in those that did not favour the government the returns were proportionately low in amount. Thus it was that, roughly speaking, the north and the west of England were assessed at comparatively low figures as compared with the amount borne by the southern and eastern parts of the kingdom.

But the unfairness of the tax as regards the different counties and towns was as nothing when compared with its unfairness as regards the assessment of the property of the taxpayers in the several districts. The intention of the tax was to include all personal property as well as offices and real property, and the Act, in clear terms, placed personal property in the forefront of the charge. But the local assessors had failed in their duty, and, probably through difficulties connected with the renewal of assessments, had allowed personal property to slip altogether out of assessment, leaving offices, and the land which parliament had charged only with the residue of the particular sums after deducting the receipts from offices and personal property, to bear the whole burden of the tax. The usurers, lawyers, tradesmen, and retailers contributed nothing to the tax. The amount borne by offices was comparatively

small, and Walpole was substantially correct when he said : ‘ No man contributes the least share to this tax but he that is possessed of a landed estate.’

The king was eager for the success of the measure, for two reasons : first, because it was represented to him that he could not effect a more beneficial measure than the reduction of the land tax, the most unequal tax then subsisting, and the source of continual complaints ; that the reduction of this tax would render every landowner and country gentleman a zealous friend of the government, and that the proposed measure would be the glory of his reign ; and, secondly, because the measure would have the effect of increasing his income from the Civil List ; for one sixth of the duties on tobacco and wine—the subsidy of 1698, formed part of the Civil List, and though, under the new management, this sixth was still to be payable at the Customs, it would be increased by the expected success of the measure in the reduction of smuggling.

On the other hand, many of the landowners and country gentlemen who were thus to be benefited and conciliated, now that they appeared to be about to obtain the object of their desires, began to re-consider and more perfectly realise, their position. The tax at 1s. did not entirely suit their views ; it was too near vanishing point. The tax might be abolished altogether, to be succeeded, as it most certainly would be on the outbreak of war or the occurrence of any occasion for special expense, by a new tax of the same description, based upon a new valuation or

assessment, under which the western and northern districts, which were comparatively lightly charged to the existing tax, would certainly have to pay a larger share, and the individual assessments might be considerably augmented.

These considerations affected a considerable number of the gentry and landowners, while the trader class in towns were, to a man, strong advocates for the continuance of the existing system, under which they were practically untaxed.

But the most ardent opponents of this and any measure of the minister's that might afford an opportunity for attack, were those who hungered for place. Walpole had now held office for twelve years, and had lost many of his former supporters, some of whom were now in direct opposition. Townshend, disliking the ascendancy acquired by him, and never at one with Newcastle, had intrigued to obtain Newcastle's post for his friend Chesterfield,¹ and when, on the discovery of his plans, a rupture had ensued between himself and Walpole, had given up his post and gone into retirement at Raynham; and his successor, William Stanhope, recently rewarded for his services in negotiating the treaty of Seville with a peerage as earl of Harrington, was Newcastle's man, in the same sense that Chesterfield was Townshend's. Carteret, turned out of the lord-lieutenancy about the same time, was now in open opposition. Chesterfield, though he had received the lord steward's staff, generally held by a duke, in succession to Dorset, the

¹ Philip Dormer Stanhope, 4th earl.

new lord-lieutenant, remained a discontented man and no willing supporter of the government ; and his feelings were shared by many who yet had not gone so far as to range in opposition with Pulteney, Sandys, and the other discontented whigs. In short, Walpole's prolonged continuance in office had swelled the ranks of his opponents to formidable proportions.

An agitation against the Excise Bill was commenced by all who desired the overthrow of Walpole—discontented whigs, discontented courtiers, tories, and Jacobites ; and unfortunately, he had given a handle to his opponents of which they were not slow to avail themselves. His measure, though in its provisions but a replica of the Bill for the warehousing of tea and coffee, differed from it on this point, that under the new arrangement *the duties were termed duties of 'Excise.'* This term proved fatal to the measure. The name of excise had always been detested in this country. It was a foreign system of taxation, and, after its first introduction in the times of the commonwealth, had been extended to all sorts of articles necessary for food and clothing: beer, meat, salt, cloth, leather, and, in short, almost all the necessaries of life, had been included in the excise list. Traditions of oppressive taxes are written on columns of brass, and Englishmen continued to hate the very name of excise.

At this date plans of taxation were freely ventilated, not only by men with a practical knowledge of the subject, but also in the school of political projectors. Swift, a few years before this, had ridi-

culed professors of this sort in the warm debate in the Academy of Projectors at Lagado, between two professors about 'the most commodious and effectual ways and means of raising money without grieving the subjects.'¹ On one side ranged the advocates for a single direct tax on land: Locke was the principal exponent of the theory, which Voltaire ridiculed in 'L'Homme à quarante Écus,' that all taxes eventually fall upon the land, and therefore the most effective and least expensive mode of taxation is a simple land tax. On the other side ranged the advocates for a system of indirect taxation, who regarded excises to be, as stated in the Parliamentary ordinance, 'the most easie and indifferent levy that could be laid on the people.' There had frequently been talk in England of a general excise—

Ask you why Phryne the whole auction buys?
Phryne foresees a general excise—

and Walpole's measures had undoubtedly tended in that direction. His opponents could point to his repeal of many of the duties of customs; his arrangement regarding the duties on tea and coffee; his known aversion to the existing land tax, and his revival of the duty on salt; to which there was now to be added, they urged, a plan regarding the duties on tobacco and wine, in the preparation of which the cloak had been cast aside and the true tendency of the measure revealed. This measure was preparatory to a plan under which all the necessities of life

¹ Gulliver's Travels, first published in 1726.

would be taxed. This monster, the Excise, would begin with your tea and coffee and wine and tobacco—

Grant these, and the glutton
Will roar out for mutton,
Your beef, bread, and bacon to boot.
Your goose, pig, and pullet
He'll then suck down his gullet,
While the labourer munches a root.
Your cellars he'll range,
Your pantry and grange.
 &c. &c.

An army of excise officers would be put in occupation of the country, and acts of parliament bristling all over with pains and penalties would place every Englishman at the mercy of the common informer, and render him, like the Frenchman, a slave.

By means of such exaggerated statements as these, in articles in the ‘Craftsman,’ in pamphlets in every form, and in the newspapers of the day, the people were exhorted to defend their homes from ‘that Monster the Excise.’ Petitions against the Excise Bill were poured, in an abundant stream, into the house of commons. The soldiers were roused to indignation by representations that the price of their tobacco would be raised; and, in short, an agitation and resistance to his proposed plan was excited which amazed Walpole, who found himself surrounded, as it were, by furies: ‘Quid iste fert tumultus? Et quid omnium vultus in unum me truces?’

To a mob of excited opponents it was useless for him to say that the Bill was introduced simply to alter the manner of collecting the duties, and urge

the unreasonableness of the existing clamour. He was answered by reference to the Bill itself, labelled with the hated name of Excise. After narrowly escaping violence at the hands of the anti-excise mob that filled the lobby of the House and the Court of Requests,¹ insulting those who had been for the excise, Walpole had to give in. '*This dance it will no further go,*' he said to a select party of friends after supper the evening after the debate on the City petition, 'and to-morrow I intend to sound a retreat; the turn my friends will take will be to declare they have not altered their opinion of the proposition, but that the clamour and the spirit that has been raised makes it necessary to give way, and that what they now do is not owning what they have done to be wrong, but receding, for prudential reasons, from what they still think as right as ever.'²

The withdrawal of the Excise Bill called forth as loud rejoicings as upon the most glorious national victory ever gained over our enemies in times of the greatest danger. The name that had proved fatal to the measure continued long afterwards to be of evil omen in taxation, affording to Johnson the opportunity for a definition of the word, in his dictionary in 1755, which amounted, in the opinion of the law officers of the crown, to a libel on the commissioners of excise, and proving the cause of difficulties to Bute, in 1763, in relation to the cider tax. So that,

¹ A large and very ancient hall in the palace of Westminster subsequently appropriated to the house of lords, who sat there till the fire of 1834.

² Hervey, *Memoirs*, i. 198.

in 1767, when there was again some talk of an excise, Chesterfield, who had reason to remember Walpole's Excise Bill, when his opposition to the measure cost him the white staff, writes to sir Thomas Robinson : ‘ As for a general excise, it must change its name by act of parliament before it will go down with the people, who know names better than things ; ’ and he adds : ‘ For aught I know, if an Act for a general excise were to be entitled “ An Act for the better securing the liberty and property of his majesty's subjects, by repealing some of the most burdensome custom-house laws,” it might be gladly received.’¹

¹ Miscellaneous Works, vol. iv. p. 214.

CHAPTER IV.

THE WAR WITH SPAIN (RIGHT OF SEARCH) AND THE
WAR OF THE AUSTRIAN SUCCESSION. FALL OF WAL-
POLE. THE WILMINGTON, PELHAM, AND NEWCASTLE
ADMINISTRATIONS.

1739—1756.

Commencement of the war. Our fiscal position. Cost of the war. Land tax raised to 4*s*. Fall of Walpole. Pulteney and Carteret in power. Repeal of the Act against spirituous liquors. The drinking fund. The Pelham administration. Defeat of Pelham on the sugar question. Fall of Carteret and formation of the Broad Bottom administration. Extension of the tax on salt. Additional tax on wine. Important reduction of the tax on tea. The Rebellion of '45. New tax on the manufacture of glass. Pelham's new window tax. Tax on pleasure carriages. A fourth subsidy of customs granted in 1748. Speech of Henry Fox on taxation. Peace of Aix-la-Chapelle. Reduction of the land tax. Death of Pelham. His character. A new period commences. Fox, Murray, and Pitt. The Newcastle administration. Fox secretary of state. Pitt courts dismissal. Legge and G. Grenville resign. Lyttelton chancellor of the exchequer.

THE main object of Walpole's policy was to secure peace with France, and thus prevent any attempt by the Pretender to raise a rebellion in England against the House of Hanover, which without aid from France was impossible. This policy involved a continuance of peace with Spain, for from the existing connection between Louis XV. and Philip V., war with Spain would probably lead to war with France; and hitherto the common efforts of Walpole and de Fleury to avoid the outbreak of war had proved successful.

But during this peaceful period a storm had long been brewing between England and Spain, from commercial jealousy. The treaty of Utrecht contained provisions which had the effect so strictly to limit commerce between our colonies in America and those of Spain as to amount to a prohibition. This interference with our trade formed the source of constant complaints, and our colonists spared no pains and lost no opportunity in their attempts to evade the provisions of the treaty. On the other hand, the Spaniards, in their anxiety to monopolise the commerce of their colonies, enforced their rights under the treaty with an unsparing hand, and endeavoured to suppress the system of smuggling that prevailed, by a strict exercise of their right to search vessels on the high seas. Offenders caught in the act experienced, as may be imagined, rough treatment at the hands of the guarda-costas. Feelings of resentment were provoked on both sides, which increased in intensity day by day. Reports of indignities suffered by our seamen—real, exaggerated, and fictitious—reached this country in increasing numbers. Many petitions on the subject were presented to parliament. And at last a particular instance of barbarous treatment was produced at the bar of the house of commons, March 16, 1738, when the opposition got hold of Jenkins, a man who went about with an ear in his pocket, wrapt up in wool, which, according to his statement, had been cut off by the guarda-costas, who had made him their prisoner.

Meanwhile, during Walpole's prolonged tenure of office, the appetite for place of those who were

excluded had increased to a craving they were willing to go any length to satisfy. This had been evident in the proceedings consequent upon the introduction of the Excise Bill. Since then the Opposition had been gaining strength day by day ; and now the ‘ young patriots,’ the ‘ boys,’ as Walpole termed them,—Pitt, the Grenvilles and Lyttelton,¹ and Pulteney, Sandys, Carteret, Argyll and the other discontented whigs, joined with the tories in taking up the cry for war, in opposition to the minister. Working on the excited feelings of the people, and the mercantile and military instincts of the nation, they precipitated, notwithstanding the attempts of Walpole to avoid it, a crisis which, after all, could not, probably, have been long delayed.

‘ Sir Robert Walpole was forced into the war by the people, who were inflamed to this measure by the most leading politicians, by the first orators, and the greatest poets, of the time. For that war, Pope sung his dying notes. For that war, Johnson, in more energetic strains, employed the voice of his early genius. For that war, Glover distinguished himself in the way in which his muse was most natural and happy. The crowd readily followed the politicians in the cry for a war which threatened little bloodshed, and which promised victories that were attended with something more solid than glory. A war with Spain was a war of plunder.’² The bells were pealed in all the churches

¹ They were also termed the ‘ Nepotism,’ their leaders being chiefly nephews and cousins of lord Cobham, and ‘ Cobham’s cubs.’

² Burke, *Letters on a Regicide Peace*. Works, v. 287.

of London, when, amidst huzzas and acclamations on all sides, war was declared against Spain.¹ Oct. 19,
1739.

The expenses of the war that thus commenced formed the next step in the increase of our national debt. In 1739, the amount of the national debt of Great Britain was about 46 millions,² and our fiscal position, as follows:—

<i>Expenditure.</i>	<i>£</i>
Debt, annual charge	2,000,000
Military and naval ³	1,850,000
Civil List and Civil Government	950,000

<i>Revenue from Taxes.</i>	
Land tax at 2s.	1,000,000
Window tax and tax on pensions	135,000
Customs	1,400,000
Excise	3,000,000
Stamps	150,000
	<hr/> 5,685,000

The cost of the war of the Right of Search, including the war with France about the Austrian succession which followed, was over 43 millions,⁴ of which about 30 were added to the Debt.

After the meeting of parliament in November, the land tax was raised, for 1740, from a 2s. to a 4s. rate, which was considered to be the war maximum. Each additional shilling produced half a million of revenue, and the 4s. rate, producing in all two millions, continued to be granted annually during the war.

In 1741 the second parliament of George II. was dissolved. The elections did not prove favourable to

¹ Coxe's Walpole, iv. 112.

² Return Pub. Inc. and Expend., Part II., Appendix No. 12.

³ Average from 1736-38.

⁴ 43,655,192*l*.

Walpole; and after the meeting of the new parliament, in December, he encountered a succession of defeats, which resulted in his retirement from office. He resigned, February 17, 1742, and passed into the house of lords as earl of Orford.¹

1742. Pulteney, leader of the opposition in the house of commons, now became the arbiter between the crown and the people. Negotiations were opened with him. For various reasons he declined the post of prime minister, but was instrumental in forming a motley ministry under the old earl of Wilmington, formerly sir Spencer Compton. This included Carteret and Newcastle as secretaries of state, Sandys, as chancellor of the exchequer, and Henry Pelham, as paymaster of the forces. Chesterfield, an outcast from office since his adverse vote on the Excise Bill, had expected the post of secretary of state; but no place was found for him in the ministerial arrangements, and the Grenvilles, Lyttelton, and Pitt were excluded. Pulteney took only a seat in the cabinet, with a peerage, and lost all influence when he became earl of Bath: 'The nation looked upon him as a deserter; and he shrunk into insignificancy and an earldom.'² 'Here we are, my lord,' said Orford to him, when they met for the first time in the house of lords, 'the two most insignificant fellows in England.'³

¹ He was defeated on the question of the election of a chairman of committees, again on the question of the Westminster election, and lastly, on the question of the Chippenham election, which was allowed on both sides to be a decisive trial of strength. Election petitions at this date, tried by a committee of the whole House, were regarded as party questions. ² Chesterfield. Characters. ³ Dr. King's Anecdotes.

The sole fiscal measure of any importance effected by the Wilmington administration had relation to the tax on spirits. Jekyll's Act against spirituous liquors, generally known as the Gin Act, had proved a failure, in consequence of the stringency of its provisions. A new system was now adopted. The Act was repealed, and, in lieu of an attempt to prohibit the drinking of spirits, duties were imposed upon the manufacture,¹ sufficient in amount to place spirits beyond the reach of the lower classes as an ordinary article of consumption. This measure effected an increase in the revenue very acceptable to the ministry of the day, and afforded an opportunity to Chesterfield to give them a nickname. Resenting his exclusion from the arrangements of the new ministry, and having been a strenuous opponent in the house of lords of the repeal of the Gin Act, in allusion to the source from which the ministry had enriched themselves, which he termed 'the drinking fund,' he dubbed them 'the drunken administration.'²

At the time of the death of Wilmington, in July 1743, Carteret was abroad with the king, having been with him at the battle of Dettingen; and as his knowledge of foreign languages and many other accomplishments placed him high in royal favour, he now entertained, with Bath, hopes of obtaining a monopoly of power. But during Wilmington's last illness, Pelham had been persuaded by Walpole to apply, before the vacancy, for the post now vacant, and eventually the influence of Walpole prevailed to over-

¹ 16 Geo. II. c. 8.

² This was, of course, a hit at Carteret.

throw the plans of Carteret and Bath; and Pelham was appointed first lord of the treasury, and also chancellor of the exchequer, in the place of Samuel Sandys, who was raised to the house of peers, and made cofferer of the household.

Sam in the sunshine buzzed a little,
Then sank in power and rose in title.
Will with a title out would set,
But place nor power ne'er could get.
So Will and Sam obscure remained,
While John with universal odium reigned.¹

Imperious, impetuous, ever intent upon large schemes, careless, inexpert in details, a hard drinker, and of riotous spirits, John, lord Carteret, was to his colleagues certainly, if not odious, at least a source of constant annoyance. He treated Newcastle and Harrington, who was president of the council, with little less than contempt; by his superior wit and knowledge of the classics and civil law, completely cowed Hardwicke, the lord chancellor;² and, pressing his own views of ambitious foreign policy, would have carried the government and the nation far beyond the original policy of the war of the Austrian Succession.³

Some idea of the embarrassment to his colleagues caused by Carteret may be formed from his action in a matter of revenue. We were threatened, in 1744,

¹ London Magazine for January. This was the monthly advocate of the country party.

² Fitzmaurice, Life of Shelburne, i. 86.

³ This had been to prevent the dismemberment of the countries that passed to Maria Theresa under the Pragmatic Sanction—to prevent Prussia from retaining Silesia, which Frederick had seized, and Spain from taking the Milanese. As enlarged by Carteret, it extended to supporting a policy of aggrandisement of the empire, the object being to take Naples and Sicily from Spain, Elsass from France, &c. &c.

with foreign invasion in support of the title of the Pretender, and it was necessary to borrow largely for the expenses of the year. On February 13, a resolution was passed in the Commons for an additional 2s. 6d. the cwt. on sugar, which it was calculated would produce above 80,000*l.* a year, sufficient to serve as a fund to borrow 1,800,000*l.* at 3 per cent. for the service of the current year. A project for an addition to the duty on sugar had been in agitation for some time before Pelham presided at the treasury, and it was clearly an excellent tax ; but Carteret and the prince of Wales, who was in opposition, saw in this question an opportunity for disappointing Pelham in his peculiar department, that of supply. A number of persons were interested, directly and indirectly, in sugar. On the report of the resolution, lord Limerick was put up to suggest that it should be re-committed, and that in lieu of the addition for sugar, a duty of 1*d.* the yard should be put upon foreign linens. This gained the Scotch members, who thought the duty would promote the manufacture of linen in Scotland. The influence of the prince and Carteret was exercised to keep members away from the House, and in the result the sugar and linen interests prevailed to carry lord Limerick's project, in a thin House, by 176 votes to 168.¹ Pelham would not, however, accede to the proposed tax on linen off-hand, and eventually the surplus of the additional duties on spirits was carried to the use of the year.²

¹ From the Par. Journal of the hon. Philip Yorke, Par. Hist. xiii. 652.

² 17 Geo II. c. 17.

This was the first *defeat of a minister on a tax question* since the Revolution.

Not long after the declaration of war against France, March 29, the brothers Newcastle and Pelham prevailed on the king to part with their ambitious colleague, who had recently succeeded, on the death of his mother, to the earldom of Granville. In November the seals were given back to Harrington; and in December a union of parties was effected. This included Chesterfield—who was sent on his second embassy to the Hague, whence he subsequently went to Ireland as lord lieutenant, the duke of Bedford, Lyttelton with a seat at the treasury board, and George Grenville as a junior lord of the admiralty; while Pitt had a promise of the post of secretary at war as soon as the king's antipathy to him could be overcome. Formed on inclusive principles, and combining representatives of most of the great parties—Pelhams, Bedfords, and Grenvilles—this was known as the BROAD BOTTOM ADMINISTRATION.

Lord Orford, who had been summoned by the king to give his advice in the ministerial arrangements, returned to Houghton, and died there in the following March.¹

1745. Foiled in his attempt to obtain additional revenue from sugar, Pelham, in 1745, turned his attention to other articles of consumption, and obtained an additional million for the purposes of the year, at 3*l.* 10*s.* per cent., on the security of an extension of the salt duties for six years, and a million and a half on an

¹ For a Character of Walpole by Chesterfield, see Appendix.

additional tunnage on wine and vinegar, of 8*l.* for French, and 4*l.* for other wine and vinegar. He had proposed, as an alternative, additions for tobacco and spirituous liquors.

On the other hand, a material reduction was made, in this year, in the tax on tea. The inland duty of 4*s.* the lb. was reduced to 1*s.*, with 25 per cent. on the price of tea sold by the East India Company.¹ This judicious measure had the best effect in decreasing ‘the pernicious and illegal practices of unlawfully importing and clandestinely running and landing tea,’ against which the measure was aimed. Pelham was able to effect it by drawing on the sinking fund.

The expenses of this year and the next were increased by the rebellion in the north. As Walpole had always expected, war with France soon resulted in an attempt in favour of the pretender. After the defeat of the English and their allies at Fontenoy, the young pretender landed in Scotland; was proclaimed at Edinburgh; after the battle of Prestonpans, September 21, marched into England and on to Derby, occasioning, December 5, the panic in London known as ‘Black Friday;’ and was only finally defeated on the following April 16, at Culloden. It was therefore necessary to impose additional taxes in 1746, and accordingly the addition for spirits suggested in the past year as an alternative to the increase for wine was carried into effect. To this there could be no

April 30.

¹ As to salt, see 18 Geo. II. c. 5, made perpetual by 26 Geo. II. c. 3; wine, c. 9; tea, c. 26.

objection, but, unfortunately, Pelham, a disciple of Walpole in taxation and an admirer of excises, again subjected to an excise the MANUFACTURE OF GLASS.¹

It is curious to observe, in the history of taxation in England in the last century, how frequently the rise to importance of a business or a manufacture is noted by an attempt on the part of the minister of finance to derive from its prosperity some additional revenue. As soon as it rises, in growth, to the level of his notice, so to put it, his fiscal hand is outstretched towards it with a grasp of welcome, from his point of view: 'I rejoice to see you so prosperous, and—you shall be taxed.' Perhaps no more signal case of the evil influence of taxation in crushing a prosperous manufacture is recorded in our fiscal annals than that which occurs, at a future date, in regard to the useful and beautiful manufacture Pelham now thought fit to tax. Once before it had been taxed; the tax had been repealed as ruinous to the manufacture; and the repeal had been followed by an incredible improvement in glass-making. The new tax touched green, that is bottle glass, as well as flint, crown, that is, window, and plate glass, and a monopoly was secured to the native manufacturers by the imposition of high duties on imported articles of glass. The increase in the price of glass bottles consequent upon the tax was such as to cause Chesterfield, when writing to mr. Prior in Ireland, to suggest that he should start a manufacture of them in that country, to which the tax did not extend.²

¹ 19 Geo. II. c. 12.

² Letters to Friends. Letter 74, July 15, 1746. In Ireland the tax commenced only in 1797.

The new taxes for 1747 were direct taxes, as opposed to taxes on articles of consumption, and touched houses and carriages.

Montague's house tax, the successor of the hearth-money repealed soon after the Revolution, had, since its imposition in 1694, been increased by an additional step to the charge, and was now payable at different rates for houses having 10, or from 10 to 20, or from 20 to 30, or 30 or more windows. Pelham carried the principle of a WINDOW TAX to greater lengths; changing the tax into a small fixed duty for all houses, combined with a window tax, charged in respect of the windows; so that in the case of a house having 20 windows or more, 1s. was charged for every window in the house.¹

This practically new window tax was supplemented by a tax on persons keeping PLEASURE CARRIAGES. At this date the finance ministers in this country, and many other countries in Europe, complained of the difficulty they found in reaching in taxation that personal or moveable property which everywhere was accumulating in larger masses year by year. In England the principle that personal property should bear its proportion in taxation with land, admitted for centuries, was every year enforced in, the plainest terms, by the Land Tax Act. Every year, towards raising the several sums of money charged by the Act, 'all and every person and persons, bodies politic and corporate, guilds and fraternities in Great Britain having any estate in ready money, or in any debts, or having any estate in

¹ 20 Geo. II. c. 3.

goods, wares, merchandises, or other chattels or personal estate whatsoever,' were required to pay so much in the £ on the yearly value thereof, as ascertained under the provisions of the Act. So ran the Act ; but, in practice, personal property, which had long before this slipped out of assessment, continued to be free from the tax, which was collected solely from land.

Pelham hoped by this new tax to reach persons living in a certain style, irrespective of the source of their income. He took a lesson from the old poll taxes, the last of which contained an item of charge relating to 'any person keeping a coach and horses ;' and as coaches, in the sense of private carriages, were now plentiful, and to keep a coach had always been allowed to be evidence of at the least easy circumstances, he expected, in the selection of persons keeping coaches for special taxation, to impose a productive as well as a fair tax. This was the first tax aimed at property by taking an article of expenditure as *primâ facie* evidence of the possession of means. The duty was annual, and was charged upon the tax-payer by reference to the number of carriages he kept. Stage-coaches, post-chaises, and hackney carriages were exempted.¹

1748.

The last increase in taxation due to the war of the Right of Search consisted in a general rise in the duties on imported goods. Another SUBSIDY, viz. 5 per cent., or 1s. in the £, on the value of goods as rated in the book of rates in the Great Statute of 1660 and the additional book of 1724, was granted.

¹ 20 Geo. II. c. 10.

This fourth subsidy raised the duty to 20 per cent., in addition to which there were the imposts of 1690 and 1692 and the special duties charged upon a great variety of articles. It was granted in February 1748,¹ and as may be expected the Bill did not pass through the house of commons without meeting considerable opposition from many members. One of its most formidable opponents was alderman Beckford, who objected more particularly to the further taxation of sugar, in which he was interested; while powerful support in debate was given to Pelham in an able speech by Henry Fox.

A devoted adherent of Walpole, he had left the ministry on the fall of his friend and patron; but subsequently, on Pelham's accession to power by the aid of Walpole, had accepted the post of a commissioner of the treasury. Appointed in 1746 secretary at war, he had so highly distinguished himself for skill and assiduity in business, and parliamentary abilities, that he was designated by the public voice as the person most likely to succeed Chesterfield, in February 1748, when, in consequence of his inability to work with Newcastle, he resigned the post of secretary of state he had held since November 1746. His experience at the treasury, and the attention he paid to fiscal questions, rendered him a high authority on matters of taxation.

Speech of Henry Fox on Taxation.

In this speech he observed that, approving the maxim that, as a trading nation, we ought not to

¹ 21 Geo. II. c. 2.

supply the public expense by taxes which affect our commerce or manufactures, he wished it were possible to see every port in the kingdom made a free port ; that is to say, to have no customs or duties payable upon the importation or exportation of goods at any port in the kingdom. But was it possible? Money must be had, some way or other, for supporting our government; and no money could be had but by taxes of some kind or other.

Those taxes must either be by way of land tax, poll tax, hearth-money, window tax, or taxes upon consumption ; and these last must be raised either by way of custom or excise. As to the land tax, the House knew how difficult it was to get the parliament so consent to it at the time of the Revolution, and how many frauds were made use of for concealing the true value of estates, though the country was then in so much danger, and the new government in such distress for money. They knew what heart-burnings were raised by the tax called hearth-money, in the reigns of Charles and James II. They knew what discontents were raised in king William's time by the poll tax. And they knew what a combustion was lately raised in the kingdom by an attempt (Walpole's excise scheme of 1733) to raise the duties on tobacco and wines by way of excise.

Therefore, if money had been raised by taxes upon consumption, and those taxes levied by way of customs upon the importation of goods, it was not the fault of the government, but of the people, who would not submit to any other methods for raising

money. Thus in the years 1689 and 1690 it was with some difficulty that the people were prevailed on to agree to a land tax of one or two shillings in the £, because by the extraordinary and sudden success of the Revolution the danger was removed from their own doors, though it was very certain that if the king of France had succeeded in all his then views, particularly that of getting his son, the Dauphin, elected king of the Romans, he would have sent king James back upon us with such a force as we could not then have resisted. And it was certain that if king James had been then, with a formidable army of papists, in any part of England, there were few protestants in the kingdom who would not have cheerfully parted with 18s. in the £ to have got rid of such apparent danger.

The insensibility of the people, and the danger of raising a general insurrection which from this insensibility the government had just reason to apprehend, had forced the government at that time and often since that time not only to run in debt, but to contrive funds for that purpose by increasing the customs or duties payable upon the goods and merchandise. Such duties, he would grant, affected in some measure our commerce and manufactures; but as the duties paid upon importation were mostly drawn back upon re-exportation, he believed there was no country in the world where their commerce and manufactures were less affected by their customs than in this; and it must be allowed that since the Revolution, and especially since the accession of the

present royal family, both our commerce and manufactures had been considerably eased by the laws made (in 1700 and in 1723) for freeing almost all sorts of goods from the payment of any duties upon exportation, except those sorts which we ought not to allow to be exported at all, or, at least, not without enhancing the price by a duty upon exportation.

He next alluded to the maxim that, *even in time of war, we ought to raise as much money within the year as should be necessary for answering the current service of the year*, and allowed that this ought to be done, if it were possible. But it was often necessary for a government to run into debt for the following reason: all governments must have a regard not only to what the people are able to bear, but what they are willing to pay, and the manner in which they are willing to pay, without being provoked to a rebellion. This often made it necessary for a government to run in debt, as well as to raise money for the public service in the most improper manner, especially when they are engaged in a war for preventing a remote danger. For as the people in general are not sensible of remote dangers, they are extremely unwilling to contribute a great deal out of their yearly income towards preventing such dangers.

For if the government could, in the first war with France, have ventured to propose, and the people had cheerfully submitted to pay, a land tax of 4s. in the £ annually towards the public expense, and to have had their estates valued at the full and true value, it would neither have been necessary for our

government to have run in debt, nor to have loaded our commerce with duties payable upon importation. Because such a land tax would, he was convinced, have brought in at least four if not five millions; and that, with the excises we had before or soon after submitted to, would have defrayed the whole yearly expense we were at, either in that or the following war—the war of the Spanish Succession.

We were now compelled to increase our customs as a security for new debt, because he believed no minister would dare to propose increasing either the land tax, the window tax, or the number of our excises. And as little would any minister dare to propose renewing either the poll tax or the tax called hearth-money.¹ The list was thus exhausted, and the chancellor of the exchequer was reduced to proposing an increase in the port duties.

After the termination of the war, by the Peace of Aix-la-Chapelle, the rate of the land tax was reduced, in 1750, to 3s., and in 1753, to 2s.; but the other taxes imposed in the war—on windows, carriages, glass, wine and spirits, and the fourth subsidy of 1748—remained fixtures in our fiscal list.

Oct. 7,
1748.

Pelham survived the peace six years, and died rather suddenly, March 6, 1754, according to the new style.² His character has been drawn by a master hand: ‘Mr. Pelham had good sense, without either

¹ From the London Magazine. Par. Hist. xiv. 164–72.

² Introduced into this country in 1751 by Chesterfield. Eleven days were suppressed between the 2nd and 14th Sept. 1752. The quarter days for revenue purposes became Jan. 5, April 5, July 5, and Oct. 10.

shining parts or any degree of literature. He had by no means an elevated or enterprising genius, but had a more manly and steady resolution than his brother the duke of Newcastle. He had a gentleman-like frankness in his behaviour, and as great point of honour as a minister can have, especially a minister at the head of the Treasury, where numberless sturdy and insatiable beggars of condition apply, who cannot all be gratified, nor all with safety be refused. He was a very inelegant speaker in parliament, but spoke with a certain candour and openness that made him be well heard, and generally believed. He wished well to the public, and managed the finances with great care and personal purity. He was *par negotiis neque supra* ; had many domestic virtues and no vices. If his place, and the power that accompanies it, made him some public enemies, his behaviour in both secured him from personal and rancorous ones. Those who wished him worst, only wished themselves in his place. Upon the whole, he was an honourable man, and a well-wishing minister.¹

At this date, though still within the period of aristocratic ascendancy known as the reign of the Revolution Families, we pass into a sub-period during which the maintenance of that ascendancy was due, in no small degree, to the personal popularity of Pitt, 'the Great Commoner.' Many leading men had passed out of the political arena. Bolingbroke was no more. Bath had lost all power. Under a daily allowance of two bottles of Burgundy and the love of a life of ease, Granville had lost all ambition ; he had

¹ Chesterfield. Characters.

reposed since 1751 in the easy berth of president of the council, which he continued to fill until his death in 1763. And Chesterfield, already head of a family with three earldoms,¹ had refused a dukedom, and was not again to be tempted by office from literary pursuits, the building and adornment of his house in May Fair, and the enjoyment of a philosophical retirement.

In the Commons three men stood prominent, Henry Fox, Murray and Pitt. At first Fox was to have succeeded Pelham, but in consequence of a difficulty about the disposal of the secret service money, the distribution of which Newcastle desired to retain in his own hands, the proposed arrangement collapsed. Murray was intent upon professional advancement. Pitt, taken into the administration in 1746,² now held the post of paymaster of the forces; but the king's dislike to him was such that no conspicuous place in the ministry could be offered to him. All that Newcastle, who now succeeded his brother as first lord of the treasury and prime minister, could do was to make arrangements with all possible regard and attention to his connections and feelings. Sir Thomas Robinson, who 'had not parliamentary talents that could cause him jealousy,' was made secretary of state, and became leader of

¹ James Stanhope, the prime minister, created lord Stanhope and viscount Stanhope of Mahon, in July 1717, and earl Stanhope in 1718, and William Stanhope, created earl of Harrington, after negotiating the treaty of Seville, 1729; secretary of state, 1730-42, afterwards president of the council, and subsequently again secretary of state.

² After the curious ministerial episode of that year, when the Pelhams defeated the intrigues of Bath and Granville by a hasty resignation, followed by a return to office under conditions which enabled them to insist on the admission of Pitt to office.

the Commons. His strong personal adherent, Henry Bilson Legge, was appointed chancellor of the exchequer, and minor posts were found for his brother-in-law, George Grenville, and his friend Lyttelton.

But Pitt and Fox, who retained their subordinate posts in the new administration, soon rendered the leadership of Robinson such a farce that Newcastle found it necessary, in 1755, to strengthen the administration by inviting the co-operation of Fox in the cabinet. Accepting the offer, Fox parted from Pitt, and before the end of the year was raised to the post of secretary of state, and became leader of the house of commons, on the willing return of Robinson to his old office of the Great Wardrobe, with a pension. In November Pitt practically invited dismissal by a severe denunciation of the new treaties with Hesse and Russia;¹ and Legge and George Grenville left office with him. But Lyttelton, who had now broken from Pitt and publicly complained of the treatment he received from him, was appointed to succeed Legge as chancellor of the exchequer, notwithstanding his want of any qualification for the post. 'Had they dragged Dr. Halley from his observatory to make him vice-chancellor, or Dr. Hales from his ventilation to act Bayes in "The Rehearsal,"' writes Horace Walpole, 'the choice would have been as judicious.'

Thus stood the administration at the commencement of the Seven Years' War.

¹ Binding England in certain events to pay large sums for foreign soldiers for the defence of Hanover.

CHAPTER V.

THE SEVEN YEARS' WAR.

1756-93.

Commencement of the war. Our fiscal position. Cost of the war. Lyttelton's new tax on the plate-chest. Addition for cards and dice. Proposed tax on bricks relinquished for a tax on publicans. Resignation of Fox and Newcastle. Pitt in power. The Devonshire-Pitt administration. The Newcastle-Pitt administration. Additional taxes on deeds, newspapers, and advertisements. New tax on wine licenses. Increase in the taxes on houses and windows. New tax on offices. Our successes in America and India. The Great Year, 1759. Enormous expenditure. Legge's proposed tax on shops. Proposed tax on sugar. A general subsidy of customs imposed. Pitt's speech on excises. Enormous increase in the taxation of beer. Accession of George III. Bute secretary of state. Dismissal of Legge. Resignation of Pitt and Temple, and Newcastle. End of the reign of the Revolutionary families. The Bute administration. First-fruits of the peace. Dashwood's new taxes on wine, cider and perry. The Cider Act. Its unpopularity. Resignation of Bute. George Grenville as the 'Gentle Shepherd.'

THE peace of Aix-la-Chapelle was, in effect, but a truce. In North America, the French, by a line of forts connecting Canada with Louisiana, threatened to sever our colonies from the western continent, and shut us in between the Atlantic and the Alleghanies. In India warlike operations continued between the English and French India Companies; and Dupleix, threatening our settlements along the coast, declared his intention to establish a French empire in the East, "L'empire de la France est fondé," disait-il.¹ Our

¹ Guizot, Hist. de France.

seamen, wherever our ships sailed, continued to annoy and harass the shipping of the French. At last, in March 1755, we made preparations for war; and in July, war practically commenced.

This war with France, from the connection it had with the fur trade of our colonists in North America, was sometimes termed the 'Catskin War'—a question of 'dealing in a hundred or two of wild-cats' skins on the other side of the globe;' while Voltaire speaks of it as a war about 'some few acres of snow in the direction of Canada.' The origin of the war was not dramatic, but the results were of infinite importance to us. It formed part of the great contest subsequently known as the Seven Years' War.

In 1755, the amount of the national debt of Great Britain was about seventy-two millions and a half, and our fiscal position was, approximately, as follows:

<i>Expenditure.</i>					£
Debt, annual charge . . . . .	.	.	.	.	2,600,000
Military and Naval ¹ . . . . .	.	.	.	.	2,000,000
Civil List and Civil Government . . . . .	.	.	.	.	1,000,000

<i>Revenue from Taxes.</i>					
Land tax at 2s. . . . .	.	.	.	.	1,000,000
Window tax and tax on pensions . . . . .	.	.	.	.	235,000
Customs . . . . .	.	.	.	.	1,780,000
Excise . . . . .	.	.	.	.	3,660,000
					<hr/>
					5,440,000
Stamps . . . . .	.	.	.	.	137,000

Our financial position was excellent, for Pelham, following the precedent of Walpole, had been able, by a reduction of interest on the national debt, to effect an ultimate saving of 563,000*l.* a year, while public

¹ Average, 1753-5.

credit had been strengthened by the formation of the stocks subsequently famous as the ' Consols ' (consolidated bank annuities) and the ' Reduced 3 per Cents.'

Our expenditure during the war, roughly stated in millions, was in the eight years, 1756–63 inclusive, as follows; viz.:—13, 16, 18, 20, 25, 29, 29, and 24 millions; and of the eighty-two millions the war cost us, about sixty were added to our national debt.

As usual on the commencement of war, the rate of the land tax was raised, in 1756, from 2s., the rate since 1753, to 4s., to produce an additional million. But new taxes were wanted, and a variety of suggestions were made for the assistance of the new chancellor of the exchequer in his task of finding them:—Could not French servants be taxed? or card tables, or the fashionable amusements of the day, or statues in gardens, at so much a head?—for the lakes, groves, grottos and temples of that day were thick-set with heathen gods and goddesses—a fashion derived from France, where, as Montaigne observes, Louis XIV. had in his gardens as many statues as the inhabitants of many towns.¹

1756.

When Lyttelton opened the plan of supplies and taxes—it was not yet termed opening the Budget—February 25, 1756, he suggested several new taxes. One, similar in principle to Pelham's tax on persons keeping carriages, was charged upon private

¹ ' Here Amphitrité sails through myrtle bowers;
There gladiators fight or die in flowers;
Unwater'd see the drooping sea-horse mourn,
And swallows roost in Nilus' dusty urn.'

The Epistle on Taste appeared about a quarter of a century before this.

individuals and corporations possessed of plate over a certain amount in value, taking the possession of plate as evidence of capability to pay a tax; and this TAX ON THE PLATE CHEST, after encountering some opposition in the house of commons, more particularly from Legge and George Grenville, passed into law.

A second proposal, to double the tax on cards and dice, was equally successful. This tax on gambling might have been trebled without any opposition, for the recent earthquake at Lisbon had created a feeling of awe similar to that occasioned only a few years before this by an earthquake in London, when after two shocks, it was reported that a hen at Edmonton had laid an egg inscribed 'Beware the third shock,' and a scare took place which carried, on the fatal day, half the inhabitants into the fields to avoid destruction in the overthrow of the wicked city.¹

A *proposal to tax bricks* and tiles, Lyttelton failed to pass. A tax on bricks, it was urged, would be partial in its incidence, because in many parts of the kingdom only stone was used for building, and unfair, as it would not touch the houses of the richer classes, which were principally built of stone. The arguments against the tax had begun to prevail, when it was suggested to him that the publicans were driving a roaring trade, and that a 1*l.* tax on their business licenses would produce considerably more than the proposed tax on bricks. This settled the question,

¹ Reed's Weekly Journal, April 7, 1750.

and abandoning the brick tax, he adopted the suggestion for a TAX ON PUBLICANS.

In the course of the debate on the plan of supplies, George Townshend suggested the advisability of taxes on French servants and the exportation of horses. A number of French servants, he stated, were employed in English households as valets, cooks, and in other capacities; while almost every officer in the French service had two English horses.

In this year the linen trade was encouraged by the repeal of the duties on foreign raw linen yarn, the raw material of the manufacture, and an extension of the bounty on the exportation of British and Irish linen.¹

Before the end of the year there was a change of ministry. Our want of success at the outset of the war, the loss of Minorca, and Byng's conduct, May, 1756. surprised and enraged the nation. For some time our attention had been directed to preparations at Brest for an invasion, and never was the nation more impressed with the necessity of keeping the command of the seas. When, therefore, the news came that the English admiral had failed to beat the enemy, and reports were circulated, for which Byng's love of dress and French fashions appeared to give ground, that he had either shown cowardice or had been bribed by the French, the fury of the people, against him in the first place and, in the second place, against the ministry for their failure to make proper

¹ See as to plate, 29 Geo. II. c. 14; cards and dice, c. 13; alehouse licenses, c. 12; and linen yarn, c. 15.

arrangements, became ungovernable. The ministry sacrificed Byng, but this did not save them. Fox got rid of the seals of secretary of state in October; in the next month Newcastle resigned office; and the 'tide in the affairs of men' carried Pitt, now high in popular favour, to the post of secretary of state in a new administration, in which he was the most prominent member, though the duke of Devonshire, who had lately succeeded to the title, was, as first lord of the treasury, nominally prime minister. Legge became chancellor of the exchequer in the place of Lyttelton, who received a peerage; and the administration included earl Temple, Pitt's brother-in-law, George Grenville, Charles Townshend, and the duke of Bedford.

The new ministry, without credit at court, and without the great parliamentary influence of Newcastle in the Commons, was not made to last. The king could not endure Temple, and his dislike for Pitt grew, after Pitt's conduct in relation to Byng,¹ to aversion. Before leaving England to take the command of the army of observation, the duke of Cumberland, who did not care to be checked by an anti-Hanoverian ministry at home, prevailed on the king to dismiss, April 1757, first Temple and subsequently Pitt, and Legge retired with Pitt.

Gold boxes with the freedom of the city from the Common Council, and similar testimonials from many other quarters—'It rains gold boxes,' writes Lady Hervey—evidenced the popularity of Pitt and his

¹ For whom he had endeavoured to obtain a pardon.

friend ; and after an 'inter-ministerium' of three months, Newcastle, unable to form a government without Pitt, was compelled to coalesce with him in forming the Pitt-Newcastle administration, in which the duke, as first lord, was the nominal, but Pitt, holding the post of secretary of state, the real, head—'Pitt doing everything and the duke giving everything.' Legge was again chancellor of the exchequer.¹

Pitt thus returned to power upon a wave of popularity. The only unsuspected 'patriot' champion of the people, his policy was a commercial and colonial policy, a policy of trade to be protected by a powerful fleet ; at home, a militia for defence in lieu of any expensive standing army, and a democratic, in the sense of popular, as opposed to the pure whig or oligarchic, system of government. His foreign policy had been that of Chesterfield, a British as opposed to an electoral or Hanoverian policy, involving the discontinuance of subsidies for foreign troops ; but this he was compelled, in the circumstances in which he was placed, to forego. And, regarding the peril of Hanover as a menace to England—in the view that the theatre of the contest with France lay in Germany, he threw himself, with characteristic vehemence, into the European war, on the side of Frederick of Prussia, our new ally, and supported, by English pay,

¹ Fox, whose ambition was now becoming subservient to his avarice, was appointed paymaster of the forces, the lucrative post he desired ; and the administration included the duke of Devonshire, as lord chamberlain, Temple, George Grenville, and Charles Townshend. Lord Anson returned to the admiralty, and lord Holderness was replaced as the other secretary of state.

an enormous army to assist him in his struggle against France and the Empress, defend Hanover, and secure to us, by victory in Europe, our possessions or acquisitions in North America. In this policy he was supported by the House :—

No more they make a fiddle-faddle
About a Hessian horse or saddle.
No more of continental measures ;
No more of wasting British treasures.
Ten millions, and a vote of credit,
'Tis right : he can't be wrong who did it.

1757. In 1757 alderman Beckford, father of William Beckford of Fonthill celebrity, and one of the city ' patriots,' had proposed new taxes on tea and salt. But these were not accepted, and the new taxes for the year fell upon wine licenses, deeds and newspapers and advertisements. New licenses were required for the retail of wine, costing from 2*l.* to 5*l.* The duty on deeds was raised, by an additional 1*s.*, to 2*s.* 6*d.* The increase in the trade in newspapers, consequent on demand for news of the war, was considered to justify an additional halfpenny stamp upon half sheets and whole sheets ; and the duty on advertisements in newspapers was doubled and extended to advertisements in periodicals and almanacs.¹

1758. In the next year there was an increase in the house and window tax, and a new tax upon income from offices. Under the Land Tax Act, offices were already charged at 4*s.* in the pound ; the new duty was at the rate of 1*s.* for all OFFICES with a salary

¹ 30 Geo. II. c. 19.

exceeding 100*l.* except naval and military offices.¹ It included, therefore, the judges; but this diminution in their emoluments was more than recouped to them in the next year, when, notwithstanding some opposition, a motion in the house of commons for an increase in their salaries was carried by a large majority of votes; so that the book of Judges was saved, as Charles Townshend put it, by the book of Numbers.

Under the influence of that vigour and energy which Pitt infused into our administration,² the nation soon emerged from the gulf of despondency into which they had been plunged by the events that occurred at the commencement of the war. In America, Wolfe's victory over Montcalm was followed by the capitulation of Quebec and the conquest of Canada. In India, Clive's victory of Plassey, and Coote's victory of Wandewash,³ entirely changed the aspect of affairs in that part of the world, and laid the foundation of a British empire in the East, in lieu of the French empire contemplated by Dupleix. In Europe, though in 1759 the fortunes of Frederick seemed at the lowest ebb, Ferdinand of Brunswick, with an army composed mainly of British soldiers, gained a decisive victory over the French forces under de Broglie at Minden. And, on the seas, our sailors, victorious in every encounter with the enemy, gained off Quiberon, at the mouth of the Vilaine, under admiral Hawke, in the fight the French term

¹ Houses and windows and offices by 31 Geo. II. c. 22.

² No man, said colonel Barré, ever, after a conference with him, left his presence without an inspiration of courage.

³ June, 1757, and December 1759.

‘La Journée de m. de Conflans,’ a victory over the enemy in which culminated the glories of the Great Year, as Horace Walpole dates his letters—the year in which a new victory was to be expected in the morning with the rolls for breakfast.

1759. Events such as these leave their traces on the exchequer roll. Our expenditure was enormous. For the purpose of meeting the interest of the loans necessary for the war, Legge *attempted to introduce a tax on shops*, urging that the trading community, who were benefited by the war, should share the expense it occasioned. The proposed tax was to be at the same rate on all shops, without reference to the amount of business carried on. It was, therefore, open to the objection that it would crush out of existence the smaller traders, and create an army of monopolists who could certainly charge on the consumer double the amount they paid in tax; and eventually he was persuaded to abandon it.

Failing to carry the tax on shops, he proposed to increase the duty on sugar. But this was opposed by Beckford. His principal fortune lay in Jamaica, and therefore ‘a tax on sugar touched his vitals.’¹ At first, with fifty other merchants, he applied to Legge, requesting him to abstain from imposing the tax. Proving unsuccessful in that quarter, he appealed to Pitt, and had influence sufficient to persuade him to take up the case. Newcastle and Legge were required to alter their plan, and the proposed tax was shifted on to dry goods in general; that is to say, in

¹ Hor. Walpole, Mem. Geo. II., iii. 177.

lieu of a special tax on sugar, a SUBSIDY was substituted, of 1s. in the £, or 5 per cent., on tobacco, linen, sugar and other grocery, except currants, East India goods, except coffee and raw silks, brandy and other spirits, except colonial rum, and paper. This fifth subsidy raised the duty to 25 per cent. upon the value of most sorts of goods.¹

As Pitt did not often interfere in the details of taxation, his speech on this occasion is valuable, as a record of the views he entertained on that subject. It was the speech he commenced with the memorable 'Sugar, Mr. Speaker,' silencing the derisive cheers this opening word occasioned, by the repetition of the word with an energy of diction worthy of the 'terrible cornet of horse.' He is stated to have praised the principle of Walpole's Excise Bill, although at the time he had opposed the measure. He had changed, he acknowledged, his opinion on the subject, and was in favour of excises, as the best sort of taxes in the circumstances of that day; and expressed an opinion in favour of an addition to the duty on hops, which would touch private brewing as well as beer brewed for sale. The House was not with him on that occasion, but the influence of his views is evident in the fiscal arrangements for 1760 and 1761.

In the first of these years, on the opening of the 1760. ways and means, Legge proposed a considerable increase in the taxation of beer; and though he was

¹ An inland additional duty was imposed upon all coffee sold and chocolate made or sold in Great Britain, viz., for coffee 1s. and for chocolate 9d. the lb. 32 Geo. II. c. 10.

opposed by George Grenville, who now for the first time openly showed his disagreement with Pitt, eventually the malt duty was increased by 3*d.* the bushel,¹ for England, with an increase of 1½*d.* for Scotland.

1761. In the next, no less than 3*s.* the barrel was added to the tax on the brewery—for strong beer, raising the price per pot by 1*d.*

This enormous increase in the taxation of beer formed the principal addition to our taxes in the Seven Years' War. An increase for spirits, in 1762, had in view, not so much an addition to the revenue, as the prevention of the excessive consumption of spirits, by continuing the high price of such liquors; while a license tax, imposed in 1758 on persons selling gold and silver plate, was in commutation of Sunderland's tax on silver plate, which was repealed as a failure. The only other addition of importance was an increase in the house and window tax, effected in 1761.²

The political education of George III., who succeeded his grandfather in the autumn of 1760, had been grounded upon the principles expressed by Bolingbroke in 'The Patriot King'; and, with a view to the abolition of the oligarchic system of government established by the Revolution families, the earl of Bute, the friend of his mother, the Princess of Wales, and the practical director of his education, was, in the spring of the next year, appointed secretary of state in the place of lord Holderness, who resigned the post for that purpose. Legge, refusing to resign, was dismissed; and in October, Pitt, unable

¹ Namely, from 6*d.* and a fraction to 9½*d.*

² By 2 Geo. III. c. 8, but not to come into force until April 5, 1762.

to carry in the cabinet his proposal for a declaration of war against Spain, in consequence of the revelation of the Bourbon family compact, resigned office, with Temple. The king’s party improved their position day by day, and in May, 1762, the long period of nearly half a century of whig ascendancy—the reign of the Revolution families—came to a close with the resignation of office by Newcastle.

Bute, with little or no experience of business generally, and in absolute ignorance of the details of the revenue, was appointed first lord of the treasury, George Grenville succeeding him as secretary of state;¹ and sir Francis Dashwood, notorious for his eccentric revelries at Medmenham, a man of ability in some particulars, but to whom, in the words of a wit of the day, ‘a sum of five figures was an impenetrable secret,’ became chancellor of the exchequer.

The expenses consequent on the Seven Years’ War did not end with the peace of Paris, signed in September, soon after the accession of Bute to office, and, as ‘the first-fruits of the peace’—so the opposition put it—Dashwood was obliged, in 1763, not only to continue the land tax at 4s. but also to propose additional taxes.

Pitt and Legge had been able to impose their 1763. additional taxes upon beer without any serious opposition; and on *opening the Budget*, as the annual statement of the plan of supplies and means by the chancellor of the exchequer was now termed,²

¹ The earl of Egremont being the other secretary.

² Hor. Walpole, Mem. Geo. III. i. 250. Budget is from the French *bougette*, little bag, or pedlar’s pack, in which the chancellor of the exchequer kept his papers. The French adopted the term about 1814.

Dashwood proposed an addition for wine and vinegar, of the same amount as that made by Pelham in 1745, viz., 8*l.* the tun on French, and 4*l.* on other wine and vinegar, and a tax on the making of cider and perry.

The cider
tax.

To the former of these there was no serious objection, but the proposed tax on cider and perry was as unpopular a tax as any that could be devised.

Cider and perry were at this date, as they have ever been in this country, local rather than national drinks. They formed the favourite, in many parts the exclusive, beverages of the inhabitants of the shires of Worcester, Gloucester, Hereford, Devon and Somerset, and part of Cornwall; but were not articles of general consumption beyond the limits of the expanse of country celebrated, half a century before this, by John Philips, the poet of cider, as ‘the Cider-land.’ In the Cider-land it was customary to make at home the cider and perry they consumed, and, as the ordinary tax on these liquors touched only liquor sold, the consumers had hitherto enjoyed immunity from taxation—‘their fruits without excise,’ as Churchill states it. These local drinks Dashwood now proposed to tax, and in order to secure the tax, to give to the excise officers extensive powers of inspection, enforcing a tax, partial and unfair in its incidence, by means of domiciliary visits that violated the most cherished feelings of liberty.

The Cider Bill was strongly opposed in the Commons and in the Lords. In the Commons, Pitt attacked the measure as a dangerous precedent of admitting the officers of excise into private houses:

‘Every man’s house is his castle,’ he urged; and other members joined in opposing it, but eventually the Bill, supported by George Grenville and North, passed through the House. In the Lords, the principal opponent of the Bill was Hardwicke, who not only regarded it as an extension and application of the excise laws to improper subjects, but also urged that the tax was in effect an additional land tax on the cider counties; and though Bute, who rarely spoke in parliament, supported the Bill, so strong was the feeling against the tax, that, on the proposal to commit the Bill, a division was taken in the house of lords, for the first time, upon a Money Bill.¹

The passing of the Cider Act caused an agitation in the country similar to that which had occurred on the introduction, in 1733, of Walpole’s Excise Bill. ‘It had taken thirty years to open the eyes of mankind to the benefits of excise,’ exclaims Horace Walpole, ‘the only, at least the best, method of improving the revenue without imposing new burdens; but the unpopularity of this administration caused the old prejudices against excises to be industriously revived.’ The disturbances caused by the Act drove Bute from office, or were assigned by him as the reason for his resignation, April 8, 1763; and in the caricatures of the day of ‘the Roasted Exciseman, or Jack Boot’s Exit,’ the enraged mob are represented burning the effigy of a Scotchman suspended to a

¹ Bute was not an effective speaker, and on this occasion his speech was made in words of such solemn, slow, and measured monotony that Charles Townshend said it sounded like minute guns.—Par. Hist., xv. 1316.

gallows, and a great worn boot lies in a fire into which a man is throwing an excised cider-barrel as fuel.

In the debate on the Cider Bill, a point had been pressed by Grenville with almost petulant pertinacity. He had taken, in common with many other able men of the time, a very gloomy view of our fiscal position and the difficulties in opening new sources of revenue in this country, and now, speaking in answer to Pitt, he urged that the cider tax was unavoidable, because the government did not know where they could lay another tax to produce the money required :—‘The honourable member complains of the tax; why does he not tell us where we can go, if not to this source? Will the honourable member tell me where?’ Pitt hummed the commencement of an old song, ‘*Gentle shepherd, tell me where.*’ This repartee upset Grenville, took the fancy of the House, and caused the minister to be named ‘the Gentle Shepherd.’ ‘There is use in recording the anecdote,’ wrote Horace Walpole many years afterwards; ‘the appellation of “the Gentle Shepherd” long stuck by Grenville; he is mentioned by it in many of the writings on the Stamp Act, and in other pamphlets and political prints of the day.’ In short, the expression passed into a proverb: ‘Do not put the “Gentle Shepherd” upon me for all these Wheres,’ writes Chesterfield, five years after this. There may be use in repeating the anecdote here, if only to serve to mark the point in the history of taxation in this country at which we were supposed to have arrived at the end of all

possible taxation at home, or, at any rate, so near the end that it was considered necessary to send the tax-gatherer to the colonies. That was where ‘the Gentle Shepherd’ told us to go, and how he directed us thither and the result form the subject of the next chapter.

CHAPTER VI.

THE TAXATION OF AMERICA.

The Grenville and the Grenville-Bedford administrations. Grenville's rigorous enforcement of the Navigation Act. He determines to tax the colonies in America. His plan. The port duties imposed in 1764. The Stamp Act of 1765. The Rockingham administration. Repeal of the Cider Act and the Stamp Act for America. Chatham's Grafton administration. The mosaic ministry. Loss of the land tax resolution. Townshend's port duties for America. Death of Townshend. North chancellor of the exchequer. Resignation of Grafton. North prime minister and chancellor of the exchequer.

1763. ON the resignation of Bute, by means of his influence with the king, George Grenville was advanced to the leadership of the administration, holding with the post of first lord of the treasury, that of chancellor of the exchequer, from which the incompetent Dashwood had been removed to the office of the great wardrobe, with a peerage as lord Le Despenser. The two secretaries of state, Grenville's brother-in-law, Egremont,¹ and Halifax, formed with him the triumvirate, as they were termed, which, after a duration of three months, was broken up by the death of Egremont, an event that weakened the administration to such a
1764. degree that the king, on the recommendation of Bute, applied to Pitt in an endeavour to induce him again

¹ G. Grenville married Elizabeth, daughter of Sir W. Wyndham, and sister of the earls of Egremont and Thomond (Wyndham O'Brien).

to take office. Unable to see his way to the formation of an administration likely to last, without the assistance of Temple and the duke of Devonshire and a considerable admixture of the great whig family element, Pitt framed his list for a proposed administration too much in that view to suit the king, and the negotiation with him ended in failure. And almost immediately after this, the duke of Bedford, who had not, or was led to believe that he had not, been included in Pitt's proposed arrangements, joined Grenville with his whole party.¹ As thus strengthened and re-formed the administration was known as the Grenville-Bedford administration.

The character of Grenville has been drawn, and not unkindly, by a master hand. A legal education, which quickens and invigorates the understanding but is not apt to open and liberalise the mind exactly in the same proportion, and a long course of official training, which gives knowledge that is valuable but fixes the mind upon form and precedent; these, in combination, had led him to conceive that the flourishing trade of this country was greatly owing to law and institution and not quite so much to liberty, and to believe regulation to be commerce, and taxes to be revenue. Among regulations, that which stood first was his idol—the Act of Navigation. Already, when first lord of the admiralty in Bute's administration, impressed with the necessity of improving our revenue

¹ Taking the post of president of the council, so long held by Granville, while the earl of Sandwich took the post of secretary of state, in succession to Egremont. Earl Granville died in January 1763.

from duties on merchandise at the ports, he had prepared and presented to the lords of the treasury a strong memorial complaining of the growth of illicit commerce in America ; and now, in his anxiety to repress evasions of the navigation laws, he so much tightened the bonds of the Act of Navigation that the colonists found, under the construction and execution so used, the Act no longer tying, but actually strangling them.¹

But the new enumerations of commodities, and regulations in restraint of the trade of our colonies with those of France and Spain, introduced by Grenville, formed only preliminaries to an attempt to obtain revenue from America by means of taxation.

Hitherto no taxes had been imposed in our colonies by the mother-country for the purpose of revenue. The duties imposed at the request of the colonies termed the plantation dues or duties, amounted merely to a regulation of trade. An attempt was indeed made to reckon the post-office as a precedent. ‘Is not the post-office, which they have long received, a tax as well as a regulation?’ was asked of Dr. Benjamin Franklin, in evidence before the committee on the Stamp Act, in 1765. But Franklin, who was deputy postmaster-general of North America, replied, ‘No ; the money paid for the postage of a letter is not of the nature of a tax, it is merely a quantum meruit for a service done ; no person is compellable to pay the money if he does not choose to receive the service. A man may still, as before the Act, send his letter

¹ Burke, *Speech on American Taxation*, Works, iii. 197-9.

by a servant, or a special messenger, or a friend, if he thinks it cheaper or safer.’¹ Suggestions for taxation had been made and plans had even been proposed, but up to this point in their history the colonies in America remained untaxed by Great Britain.

The opinion on the subject of taxation prevalent in many of the colonies was as follows:—Founded by adventurers who possessed their lands under a title springing from the crown, originally royal colonies, they would have been not unwilling to concede the existence, in the crown, of a right to impose duties on merchandise at the ports, the right of imposts or impositions; but after the Revolution, when the house of commons became the supreme or sole authority in all matters of taxation including impositions, their position was altered. As, on the one hand, no whig, like Grenville, would for a moment allow that the colonies could legally grant a revenue to the crown, so, on the other hand, the colonies had reason for refusing to admit the existence, in a representative assembly like the house of commons, of any power to tax those who were not present by their representatives. The acknowledged advantages of the connection with the mother-country, and the goodwill towards her that prevailed, would induce them to consent to imposts that could be regarded as in regulation of trade; but that parliament had a right to impose taxes, as opposed to duties on merchandise at the ports, they denied. ‘I never heard,’ said Benjamin Franklin, in his evidence, ‘of any objection to the

¹ Evidence of Dr. Benjamin Franklin, Par. Hist. xvi. 148.

right of laying duties to regulate commerce ; but a right to lay internal taxes was never supposed to be in parliament, as we are not represented there.' Such was the opinion on this subject in many of the colonies.

During the Seven Years' War, the resources of the colonies had developed with a rapidity hitherto unknown in the history of nations, and the assemblies of several of the states had been liberal in grants towards the expenses of the war. Their prosperity proved, it was considered, their ability to contribute to the imperial exchequer. Their dependence upon the mother-country and the advantages of the connection would secure, it was believed, the eventual payment of taxes imposed by parliament for imperial purposes ; at any rate, under moderate pressure they would pay. Little attention appears to have been paid to the plea advanced by several of the colonies, that for the purpose of paying off debt contracted during the war they were at this time burdened with heavy additional taxes. Nor did the alteration in the relative position of the mother-country and the colonies consequent upon the conquest of Canada receive the consideration it deserved. That conquest had been hailed with acclamation by persons of every class in England ; but, by removing from our colonies all fear of the house of Bourbon, it had left the mother-country, as de Choiseul had pointed out, the sole object of their jealousy.

And now Grenville, impressed with the magnitude of our national debt and the weight of our taxes, and

harassed by the difficulty in discovering new sources of revenue, in an evil hour determined to send the tax-gatherer to our colonies in America.

His scheme consisted of two parts : a proposition for certain duties at the ports, such as we term customs ; and an internal tax, by means of duties similar to those in this country termed stamp duties. The customs part of the scheme, consisting of duties on imported wine, coffee, sugar, indigo, silks, calicoes, linen, cambric and lawn, and coffee and pimento when exported to other places than Great Britain, passed into law in the same year. These the colonists were willing to allow as a regulation of commerce, and to this part of the scheme they made no serious opposition.

But the terms of the recital to the taxing Act engaged their serious attention. It ran that—‘ it was expedient that new provisions and regulations should be established for improving the revenue of the kingdom ; that it was just and necessary that a revenue should be raised in his majesty’s dominions in America for defraying the expenses of defending, protecting, and securing the same ; and that parliament was desirous to make *some* provision in the *present* session of parliament *towards* raising the said revenue in America.’ And these expressions were considered, by the colonists, to imply an indefinite extension of imperial taxes in America, of which this Act imposing duties on merchandise at the ports was but a first instalment, and accordingly seemed to open out a vista of future taxation without an end.

The other part of Grenville's scheme, that relating to stamp duties, was not carried out in 1764. A resolution for imposing the tax was introduced into the house of commons, and passed through committee, but was subsequently withdrawn, on the understanding that the subject should be re-introduced in the following year.

A STAMP ACT FOR AMERICA was no new project. As far back as the times of Walpole a scheme for a stamp tax had been suggested to him by sir W. Keith, ex-deputy governor of Virginia; but that cautious and practical minister, who had recently been compelled to withdraw his Excise Bill, declined to entertain the project: 'I have old England set against me,' he said, 'and do you think I will have new England likewise?' The scheme introduced by Grenville appears to have been planned for Bute, when in office, by Jenkinson, his private secretary,¹ who now, as secretary to the treasury, brought it before Grenville. Grenville warmly adopted the scheme, and early in the following session brought in a Bill for imposing stamp duties in America, which passed into law without encountering any serious opposition in either House. There was only one division on the subject during its passage though the Commons, the minority on that occasion numbering about 40, and no division in the Lords: 'There scarcely ever was less opposition to a Bill of consequence.'²

¹ Jenkinson probably derived the suggestion from Henry McCulloh. Grenville Papers, ii. 374.

² Burke, Speech on American Taxation, Works, iii. 210.

The Act imposed duties on a great variety of deeds, instruments and law proceedings, and also taxes which, nominally stamp duties, in imitation of the English tax list, in fact touched articles of everyday consumption, such as newspapers and pamphlets, and the advertisements contained therein. Cards and dice were taxed by the Act; and an annual license tax was imposed upon the retailing of spirituous liquors and wines, which differed little, in substance, from the well-known taxes on trades and businesses then in force in several of the colonies. The Act was to come into operation from the 1st day of November, 1765.

Meanwhile, in America, the feelings of indefinite alarm had greatly increased. Every possible argument against the imposition of internal taxes in a country not represented in parliament had been collected and marshalled, and uniformity of action for protest, or, if necessary, for resistance, had been secured by intercommunications which had passed between the various states.

In these circumstances, as might be expected, the news of the passing of the Stamp Act was received with unbounded indignation, and when the Act itself arrived, and from a perusal of its provisions appeared calculated to be attended with consequences ruinous to the trade and prosperity of the colonists, 'the conflagration blazed out at once in an universal disobedience and open resistance to the Act.'¹

¹ Burke, Observations on a late Publication, *The Present State of the Nation*, Works, iii. 81.

The peal of remonstrance which sounded across the Atlantic found an echo in this country ; for our merchants represented the effects of the Act as equally disastrous to them, inasmuch as the Americans, then indebted to them in about four millions, refused to pay their debts or to renew their orders while the Stamp Act continued in force. Moreover, the course of justice was suspended for want of stamped paper, so that their debts could not be recovered.

1765. The aspect of affairs in America, and the numerous petitions from thence to parliament, induced the house of commons to appoint a committee to inquire into the operation of the Stamp Act ; but before the committee had reported, Grenville was dismissed from office, having proved too ambitious and too self-willed to suit the views of the advisers of the king.¹

July 10. The king now had recourse, through the duke of Cumberland, to Pitt and Temple, but, in consequence of the refusal of the latter to form part of an administration which would not include his brother and be the Grenville family administration he desired, the negotiations resulted in failure. In this position of difficulty the duke entered into negotiations with the opposition, and eventually, under his mediation, an administration was formed, under the marquis of Rockingham, the leader of the whig party as lately re-formed upon a basis resembling that of the *liberals*

¹ To whom, moreover, he had rendered himself obnoxious by his action in excluding the name of the princess dowager from the Regency Bill, and his harsh proceedings in ejecting Stuart Mackenzie, Bute's brother, from the post of privy seal for Scotland.

of the present day,¹ His administration included the duke of Grafton, and general Seymour Conway,² as secretaries of state; Conway leading in the house of commons; William Dowdeswell, a country gentleman, originally a tory, as chancellor of the exchequer, and, in other posts, the veteran Newcastle, Charles Townshend,³ and lord John Cavendish. Burke, it may be unnecessary to add, acted as private secretary to Rockingham.

The Bedford faction remained in opposition, with Pitt and the Grenvilles, and the *tories*, a name which, after having been in abeyance, had been revived in the latter years of George II., and was now applied with a modified meaning to 'Bute's men,' as they were sometimes termed, some of whom were old tories, or, indeed, generally to all the supporters of court influence, 'the king's men.'

The Rockingham administration repealed Dashwood's cider tax, which, in addition to its unpopularity, had in its yield disappointed the expectations of its author, and also, notwithstanding the determined opposition of Grenville and the Bedford party, the Stamp Act for America.

The probable yield had been calculated at 60,000*l.*, or, according to some, 100,000*l.* a year.

¹ Charles Wentworth, marquis of Rockingham, was descended from a sister of the famous earl of Strafford and inheritor of his vast estates. The young duke of Portland, lord John Cavendish, the duke of Richmond, and sir George Savile, a collateral descendant of the marquis of Halifax, to whose estates his father had succeeded, were conspicuous members of the party.

² Brother of the earl of Hertford and step-father of the duchess of Richmond.

³ Grandson of Charles, viscount Townshend, Walpole's brother-in-law

The actual yield for the six months the tax was in force was 4,000*l.*, which, trickling into the English treasury by dribblets—3,000*l.* in 1767, and 1,000*l.* in 1768—proved insufficient to pay the expenses attending the execution of the Act, which amounted to 6,837*l.* Such was the result of what Burke termed the process of ‘shearing the wolf.’

Chesterfield prophesied for the Rockingham ministry no long life, without the assistance of Pitt: ‘Here is a new political arch built; but of materials of so different a nature, and without a keystone, that it does not, in my opinion, indicate either strength or duration. It will certainly require repairs and a keystone next winter, and the keystone will and must necessarily be mr. Pitt.’¹ His popularity remained unchanged. The people generally attributed the repeal of the Stamp Act to the violent attack he made on the Act in a speech in which he urged that England had no right to impose internal taxes in America. And if Conway, as leader of the house of commons, was huzzahed on passing through the court of requests after the repeal, ‘it went further for Pitt,’ whom the mob accompanied home with ‘Io Pitts!’ as Horace Walpole terms their acclamations.² Without the support of Pitt, Rockingham proved unequal to the task of carrying on the government, and in July, when the king again sent for Pitt, he retired, with Dowdeswell, lord John Cavendish and others of his friends.

¹ Chesterfield to his son. Letter 354, July 15, 1765.

² Walpole, Letters, iv. 482.

Pitt now formed an administration without Temple, who still insisted on a family arrangement, to include his brother, and utterly broke with him on learning his intention to provide for some of Bute's friends. 'You may strike up your sackbut, psaltery, and dulcimer,' writes Horace Walpole to George Montagu, 'for mr. Pitt comes in, and lord Temple does not. Can I send you a more welcome affirmative or negative?'¹ In this administration, Pitt, merging his great name in the title of Chatham—'becoming certainly earl of Chatham and no longer mr. Pitt in any respect whatever'²—took the post of privy seal; Grafton was retained as the figure-head first lord of the treasury; Conway continued in office, with the lead in the Commons; William Petty, second earl of Shelburne, was appointed the other secretary of state, at the early age of 29; Charles Townshend was promoted to the post of chancellor of the exchequer; and lord North, the eldest son of the earl of Guilford, with a colleague, succeeded him in the office of paymaster. The Grenvilles remained in opposition; and the Bedford faction, who always acted together—'were only to be had in the lump,' it was said—asked too much of Chatham, and therefore were not included in the ministerial arrangements.

The composition of this administration — the May, 1767.
famous 'tessellated pavement' administration of Burke—is of importance from a fiscal point of view. Formed of 'patriots and courtiers, king's friends and republicans, whigs and tories, treacherous friends

¹ Walpole, Letters, v. 3.

² Chesterfield, Letters, No. 375.

and open enemies,'¹ it contained every element of confusion. Business was carried on in the most careless and slovenly way, and occasionally, in the absence of Chatham in consequence of his frequent attacks of the gout, on principles directly contrary to his. In consequence of the neglect of the ministers to make arrangements for an attendance in the house of commons sufficient to secure a majority when the annual vote of the land tax came on for discussion, a preconcerted attack of Grenville, Dowdeswell, and the Rockingham party proved successful, and, in lieu of a 4s. rate of land tax, only 3s. was granted. This was the first important question lost by the crown since the fall of Walpole, if we except the project for an additional tax on sugar introduced by Pelham, which was defeated by the treachery of Carteret.

What was Charles Townshend to do in order to make up for the loss of half a million involved in the reduction of the rate of the land tax? The 'darling of the House, he never thought, did, or said anything but with a view to their desires, adapting himself to their disposition and adjusting himself before it as at a looking-glass.'² To impose a new tax in England would be of all measures the most unpopular, while it did not escape his notice that a feeling had begun to prevail that the colonies had been let off

¹ Burke, Speech on American Taxation, Works, iii. 213. 'I am apt to think,' Chesterfield had written in June 1767, 'that it will be a *mosaic ministry* made up of pièces rapportées from different countries.' Letter 376.

² Speech on American Taxation, Works, iii. 216.

easily in the matter of the Stamp Act. No new Stamp Act could be passed ; but might not some additional revenue be derived from further duties on merchandise at the ports similar to those imposed by Grenville, in 1764, which had not met with any serious resistance? Accordingly, Townshend proposed to a willing House the imposition of additional port duties in the colonies in America.

With this Import Duties Act for America, we arrive at the fringe of the episode of the war of American Independence, which forms the subject of the next chapter. The principal figure in the picture to be presented will be that of lord North, whose reign at the treasury, beginning in 1770, lasted until 1782. Before proceeding, it will be well to devote a page to a consideration of the state of parties and the circumstances in which he arrived at power and the 'king's party,' under him, became supreme.

The first prints of the Act had only just reached the colonies, when the brilliant Charles Townshend died, of a putrid fever, at the early age of forty-four. Sept. The chancellorship of the exchequer was now offered to North. By excellent temper, unwearied industry, business habits and general ability, he had acquired a position which entitled him to the offer ; and though at first he declined the post, from distrust of his ability to meet George Grenville in disputes on financial questions, ultimately he was induced to accept it.

Not long after this, the Bedford faction, weary of their long exclusion from office, entered into negotiations with Grafton. Conway, to whom they objected,

as not sufficiently powerful to lead in the Commons, never had any great desire for office, and was anxious to return to his party, the Rockinghams. An arrangement was eventually made which enabled him to retire without loss of dignity, and placed two of the 1768. Bedford party in office. Before the end of the year Chatham, whose state of health continued to render him unfit for business, resigned office. His resignation was soon followed by that of his friend and protégé Shelburne, between whom and the Bedford party no cordial agreement ever existed; and the Grafton administration survived it a year and two months.¹

On the resignation of Grafton, in January, 1770, North, appointed by the king first lord of the treasury, and holding also, according to precedent, the post of chancellor of the exchequer, began his administration. His position was, before long, secured by events which practically annihilated opposition. The opposition consisted mainly of the Wilkites, or city 'patriots,' Chatham and the Grenvilles, and the Rockingham whigs. In June, the strength of the city 'patriots' was shaken, by the death of Beckford, to such a degree that it seemed as if he, and not Wilkes, had been the firebrand of politics, for the flame went out entirely after his death.² In the autumn, the link of connection between Chatham's

¹ Grafton, never strongly attached to office, and ever, when difficulties arose, on the point of resignation, was completely upset when the post of lord chancellor in his administration, after the resignation of Camden and the unfortunate termination of Charles Yorke's ten days' tenure of office, literally 'went begging.' The old duke of Newcastle had died in November 1768.

² Walpole, Letters, v. 252.

party and the rest of the opposition was severed by the death of the marquis of Granby. The death of George Grenville, in November, was followed early in 1771 by the retirement into the country of Temple, 1771. in consequence of a quarrel with his brother-in-law. And when, soon afterwards, Shelburne, on the loss of his wife,¹ left England for a time, Chatham, like Widdrington in 'Chevy Chase,' was left almost alone to fight it out upon his stumps.² In June, the earl of Suffolk, one of the Grenville party, became secretary of state, and the duke of Grafton joined the administration.³ Rockingham and his party, wearied by continual defeats, now gave up active opposition, and even Junius, despairing of the cause in which he had engaged, considered it would be insanity any longer to persist in a regular attack. Thus the 'king's men,' as opposed to the aristocratic families, were at length supreme, after a contest of ten years.

¹ A daughter of earl Granville.

² Walpole, Letters, v. 279.

³ The duke of Bedford died, Jan. 14.

CHAPTER VII.

THE WAR OF AMERICAN INDEPENDENCE.

1775—1783.

PART I.

1. Repeal of Townshend's import duties in America, except the duty on tea. Destruction of the tea ships in Boston harbour. Revocation of the charter of Massachusetts. Commencement of the war. Our fiscal position in 1775. Cost of the war. North's first taxes for the war.

WHEN, in 1766, the Rockingham administration repealed Grenville's Stamp Act for America, they passed a declaratory Act, which asserted the right and authority of the parliament of Great Britain to make laws and statutes of sufficient force and validity to bind the colonies and people of America, subjects of the crown of Great Britain, in all cases whatsoever.¹ But this broad reservation or declaration of right did not affect the question of taxation from the point of view of the colonists, who continued to deny the existence of any right in parliament to impose internal taxes in the colonies; while the intimation of future taxation it seemed to convey, excited in their minds a determination to resist, if possible, any further impositions, even in the nature of those duties on merchandise at the ports which they hitherto would have

¹ 6 Geo. III. cc. 11 & 12.

allowed to pass as regulations of trade. Accordingly, though the articles charged by Townshend's Act of 1767 were principally articles of British manufacture imported from Great Britain into the colonies : glass of different sorts, red and white lead, painters' colours, paper of various sorts, pasteboard, millboard, and scaleboard, and tea,¹ and the duties therefore such as the colonists had allowed, when imposed in 1764, to pass as regulations of trade, the answer to this demand for revenue now given by many of the colonies amounted in effect to a refusal to pay ; for they prohibited the importation of any of the articles in question or any other articles of British manufacture.

The inconvenience and loss to our manufacturers from this prohibition was the main cause of the repeal of all the duties on manufactured articles imposed by Townshend's Act, which was effected from December 1, 1770.²

But the duty on tea, though, at only 3*d.* the lb., it would produce, after deducting the necessary expenses of collection, an insignificant amount of revenue, was retained for political purposes and in order to support the preamble to the Taxing Act, which recited that 'it was expedient to raise a revenue in his majesty's dominions in America,' for the purposes stated in the Act. The question of the retention of the duty was carried in the cabinet by a single vote, the vote that decided the question being that of North, who originally had been an opponent of American taxation. He

¹ 7 Geo. III. c. 46. The expected yield was no more than 30,000*l.*

² 10 Geo. III. c. 17.

acted, indeed, in accordance with the wishes of the king, but it is clear that he was also not a little influenced by symptoms of a relaxation of the prohibition of our manufactures in America, which produced an impression in his mind that the advantageous terms on which the colonists obtained their tea from us¹ would prevail to prevent any continued resistance on their part to this insignificant duty on an article in great demand, which, except through us, it was difficult for them to procure. He did not sufficiently take into consideration the old Puritan stock from which so many of the colonists had sprung, and the possibility that in the minds of the descendants of the Pilgrim Fathers there might exist a hatred of tyranny stronger than their desire for tea.

The
Boston
tea-ships.

This figment of a tax, this peppercorn rent, lost us our colonies in America. In December, 1773, an organised party of men, in the disguise of Indians, boarded the tea ships in Boston harbour, threw the tea overboard, and sank the ships in the sea. These violent proceedings provoked the ministry, in vindication of the national honour, to close the port of Boston and revoke or alter the charter of Massachusetts. And the effective reply from America was the declaration of American Independence which, drafted by Jefferson, was ratified by twelve states on July 4, 1776.

The expenses of the war of American Independence, including those of the war with France and the war with Spain, so as to cover the period from 1775 to

¹ A drawback of 12*d.* the lb., the whole duty, was allowed in England on all teas exported to America.

1782, form the third step in the increase of our national debt, and consequently the third step in the ascending scale of our revenue from taxation.

In 1775, the amount of the national debt of Great Britain was about 126 millions ;¹ and the principal items of our national expenditure, and the revenue from taxes were as follows :—

	£
Interest of debt	4,600,000
Army and navy ²	3,810,000
Civil List, &c.	1,200,000
<hr/>	
Revenue from taxes	10,000,000

This, no doubt, is a considerable increase on the six millions and three quarters from taxes in 1755, before the Seven Years' War ; and complaints were heard from some quarters of the intolerable weight of taxation, and representations were made that the nation was crushed under the national debt. A more hopeful and sanguine estimate of our condition and resources was formed by those who pointed to the register of the West Riding of Yorkshire to prove that our great national industry, the manufacture of cloth, was increasing, as regards both broad and narrow pieces ; to the development of the manufacture of these goods at Halifax ; and of bays at Rochdale ; and to ' an infinite variety of admirable manufactures growing and extending every year among the spirited, inventive, and enterprising traders of Manchester.' Facilities of communication had increased in every direction. The improvement in our roads was

¹ Return Pub. Inc. and Expend., Part II., Appendix No. 12.

² Average, 1773-5.

remarkable. Brindley and the duke of Bridgewater had connected the coal-pits at Worsley with their market at Manchester by means of the great 'navigation' known as the Bridgewater canal, and had thus started other adventurers to work in the same way. In Scotland, a vast addition to the mass of British trade had been made by the improvement of the country. The commerce of Glasgow, so famous at this date for the 'tobacco lords,' was enormous. Vast manufactures flourished at Paisley; and 'iron-works of magnitude even in their cradle had been set up at Carron, which at the same time drew nothing from Sheffield, Birmingham, or Wolverhampton.' Briefly, new sources of industry were opening out, and we had commenced that course of mining and manufacturing activity which, with the aid of machinery, was to result in placing the nation first in the production of many of the most useful articles in the world. Agriculture was improving day by day. And the nation was well able to bear the increased weight of taxation. The national beverage was, no doubt, heavily taxed, but with regard to the revenue in the whole, Burke, in 1767, having before him the state of the revenues of many of the principal nations on the continent, had stated that, on comparing them with ours, he was fairly warranted to assert that England was the most lightly taxed of any of the great states of Europe, that, if called upon, he would prove it beyond possibility of dispute, and that we had the best constituted and the best managed revenue that ever the world beheld.¹

¹ Observations on a Late Publication. Works, iii. 47. As regards

The cost of the war was 97,000,000*l*.¹ The loans in the war amounted to 91 millions, but for this we funded capital to a larger amount; and at the close of the war the national debt had increased to about 230,000,000*l*.

North's first taxes for the war consisted in an increase in the rate of the land tax, from 3*s*. to 4*s*., to produce an additional half-million. Pelham's tax on private carriages, raised by an additional 1*l*. for four-wheeled carriages, was extended to STAGE CARRIAGES, vehicles, which, in consequence of the improvement in our roads, had changed in form from the 'machines' of former times to more nearly resemble private carriages, and were used by a richer class of travellers than heretofore. The success of Legge's 1*s*. stamp on 'deeds,' imposed in the Seven Years' War, induced him to repeat the process, and raise the duty to 3*s*. 6*d*. And as the business of newspapers ever thrives in time of war, and newspapers were regarded by North, as they were subsequently by Pitt, as fairly taxable luxuries, he also copied Legge in imposing an additional $\frac{1}{2}$ *d*. upon half-sheets and whole sheets.

These additions, and an increase in the minor tax on cards and dice, were calculated to produce 730,000*l*.

Scotland, '1765 was the year more perhaps than any other definite date that can be named, when the first streaks of the Industrial Dawn were breaking into Day. Both in manufactures and in agriculture this was about the birthday of the new life in the West of Scotland.' Duke of Argyll, *Hist. Scot.* ii. 179.

¹ From 1776 to 1785—war expenditure continued to 1786—97,599,496*l*.

PART II.

Origin of the taxes suggested by North after 1776. Adam Smith's 'Wealth of Nations.' New taxes on menservants and property sold at auctions. Second addition for 'deeds.' New tax on inhabited houses. Increase for wine. New tax on travelling by post. General rise in the excise and port duties. Additional duties on malt, spirits, wine, and salt in 1780. Annual license for sellers of tea. New tax on receipts for legacies. In 1781, 5 per cent. on the excise. Additional duties on tobacco and sugar. Burke's review of the taxes imposed by North. New taxes for 1782. On fire insurance, bills of exchange and notes. Other taxes. Addition for tobacco. Second addition for salt. Increase in the soap tax. 5 per cent. on the excise and port duties. North resigns. Rockingham's second administration. The Shelburne administration. The Coalition. Additional taxes for 1783. Augmentation of the stamp duties. The duty on bills and notes doubled. New tax on receipts. Malt duty compositions abolished. New taxes on quack medicines and waggons and carts. Fox's India Bill. North and Fox resign. Pitt prime minister.

THE second year of the war of American Independence forms a date of peculiar interest in the history of taxation in this country. Our chancellors of the exchequer had for years been at their wits' ends for new and productive taxes, and even the long experience of Grenville could find no answer to the 'Gentle Shepherd, tell me where' of Pitt. The land tax stood already at 4s., the acknowledged maximum rate. The recent disturbances due to the cider tax proved the aversion of the people to the multiplication or increase of excises. And though, no doubt, we were lightly taxed as compared with Holland, with France, or with Spain, countries where the taxation was indeed overwhelming, heavy duties were already imposed upon many of the most important articles of consump-

tion—beer, wine, tea, sugar, salt, and tobacco—it is needless to run down the whole list. Almost all our most important manufactures were taxed. Despair of obtaining additional revenue at home had driven us to the unfortunate attempt to obtain revenue from our colonies in America. How, in these circumstances, was North, whose well-known abilities were not of the inventive order, and whose acquaintance with the subject of taxation was not more intimate than that of his predecessors in office, able to find the taxes necessary for this long and costly war?

An answer may be supplied by reference to the title-page of the first edition of Adam Smith's work on 'the causes of the increase in the wealth of nations,' subsequently famous throughout the world as 'THE WEALTH OF NATIONS.'¹ In this work, first published in 1776, Adam Smith passed under review a great variety of taxes imposed in different countries at different times, and more particularly the taxes of Holland, a country which has been termed '*la terre classique de la fiscalité*.'² With regard to Great Britain, he expressed an opinion that the revenue might be considerably augmented without increasing the burden of the greater part of the people, simply by a distribution of the weight of taxation so as to effect a more equal pressure upon the whole; and he pointed out that this might be done by means of a more equal land tax; a more equal tax on inhabited

The
'Wealth
of Na-
tions.'

¹ This work, founded on the doctrine of the Physiocrates, and absorbing in itself almost all that was valuable in their teaching, the author had intended to dedicate to Quesnay, but he died, Dec. 15, 1774.

² De Parieu, *Traité des Impôts*.

houses, calculated by reference to the rent or annual value of the house ; and certain alterations in the existing system of customs and excise.

As regards the customs. Foreign trade should be encouraged by a revision of the tariff. The necessaries of life—foreign corn, live cattle and salt provisions, and the raw materials for manufactures, should be admitted free, which would reduce their price in the home market, and consequently the price of labour, but without reducing in any respect its real recompense. The duties on all foreign manufactures should be moderate, in lieu of the existing duties at rates practically prohibitory, which had been imposed for the purpose of securing monopolies. And the tariff might, with advantage to trade, and, in the opinion of many, without any diminution of revenue, be limited to a few articles of most general use and consumption, such as : wine and brandies ; the productions of America and the West Indies—sugar, rum, tobacco, and cocoa-nuts ; some productions of the East Indies and the East—tea, coffee, chinaware, spiceries of all kinds, and several sorts of piece goods. A system of administration similar to that of the excise, so far as the different duties would admit, would, in his opinion, have the effect of increasing the difficulty of smuggling ; and a warehouse system might be introduced similar to the private warehouses and crown warehouses then in existence for rum, more particularly were the tariff limited to only a few sorts of commodities.

As regards the excise. The duties on the four

great commodities he ranked as necessaries of life, viz., salt, leather, a necessary for shoes in this country, soap, and candles, should, if it were necessary to retain such taxes, be considerably reduced; and also the duties on coal. The great unfairness in the taxation of beer should be removed; and in lieu of the different taxes to which, directly and indirectly, the national beverage was subject, he advocated an increase in the malt duty, to 18s. the quarter.

Stamp duties were not a favourite kind of tax with Adam Smith, who was strongly in favour of proportion in taxation. He noticed that in Holland, where taxes on property transferred were proportioned to the value of the property, even as thus imposed they were unequal, in consequence of the difference in the frequency of the transfer of different properties; while as imposed in England, viz., when not proportioned to value, they were still more unequal.

Such were, briefly stated, the principal amendments in our fiscal system advocated by Adam Smith. To this work North had recourse for suggestions in taxation in 1777, when he was compelled to find an additional revenue of nearly a quarter of a million. He at once imposed two new taxes in imitation of Dutch taxes to which Adam Smith had directed attention: 1. An annual tax on establishments consisting of MEN SERVANTS, which would touch only the more opulent class in respect of subjects acknowledged to bear a direct relation to the luxuries of life, the amount to be paid depending upon the number of

1777.

the servants kept. Resembling in character Pelham's tax for carriages, it now ranged as the second in the list of taxes on establishments; for the other tax of the kind, Lyttelton's tax on the possession of silver plate, having proved 'very vexatious and troublesome in the levy and collection,' and of small advantage to the public, was repealed as a failure.¹ 2. A tax on PROPERTY SOLD BY AUCTION, the rates being, for land and houses, 3*d.* in the pound on the value; and for furniture, fixtures, plate, jewels, goods and chattels, 6*d.*² The estimated produce of these taxes being 105,000*l.* and 37,000*l.* per annum.

A second addition, of 1*s.* 6*d.*, raised the duty on deeds to 5*s.*; and from an alteration of the duties on glass 45,000*l.* was expected.

1778. In 1778 taxes were imposed to yield 336,000*l.* The most important fulfilled the desire of Adam Smith for a more equal house tax. Imposed in respect of INHABITED HOUSES, as had been suggested in 'The Wealth of Nations,' not by reference to the hearths or the windows in the house, but upon the only true basis for such a tax, that of a rate, i.e. by reference to the annual value of the house,³ it was estimated to yield 264,000*l.* The war precluded any idea of a repeal of the window tax; and the two taxes continued to be assessed and levied together for the next fifty-six years.

¹ 17 Geo. III. c. 39. The yield was only 18,000*l.*

² 17 Geo. III. c. 50.

³ If 5*l.* and under 50*l.* per annum, 6*d.*, and for all houses above that value, 1*s.* in the pound. 18 Geo. III. c. 26.

It was hoped that the remainder of the revenue required would be obtained from the wine-cask. In the war of the Austrian Succession, Pelham had imposed an additional tunnage, of 8*l.* on French, and 4*l.* on other wine. Another addition of the same amount had been made in 1763, by Dashwood. North now followed suit and imposed a third addition of the same amount.

The new tax of the next and fourth year of the war, 1779, was certainly not copied from any in the list of Holland, a country where the luxury of posting — ‘quadrigis petimus bene vivere’—never formed a prominent feature of existence. It was, in effect, an extension of the principle of taxing travelling introduced by North for stage carriages, in the first year. His eye was still upon the road. Travelling by post was then the usual method of locomotion among the higher classes; and a tax was now imposed upon POSTING.

. But this tax and, indeed, almost all the taxes imposed since the commencement of the war—the increased land tax, stamp duties, and taxes on men servants, auctions and wine, all these, as restricted in their incidence to the richer classes, falling upon a limited number of persons, were inadequate to produce the large sums required for the war. Compelled to have recourse to some productive source of revenue, North now proposed a *general rise*, 5 per cent., *in the port duties and the excise duties*, except those on beer, soap, candles and leather, and except

The im-
post of
1779.

the malt duty, which he increased by an additional 15 per cent.¹ These would produce :—

Posting	£164,000
Customs and excise, 5 p.c. . . .	314,500

Considerable as had been the additions to our taxes made in the first four years of the war, they were surpassed by those of the next three years, 1780–2, to produce over 710,000*l.*, 704,000*l.*, and 769,000*l.*

1780.

Those for 1780 fell more particularly upon alcoholic drinks—beer, spirits and wine, and salt.

In further taxing beer, regard was paid to the objections to the existing tax, as noticed in ‘The Wealth of Nations,’ that is to say, the unfairness of a tax that touched only beer brewed for sale. With a view to tax private brewing, additional duties were imposed upon malt, the material used in brewing, accompanied with a provision for an allowance to the brewers for sale, so that the pot of beer might, as North put it, ‘reach the lip of the consumer untaxed.’ The increase for spirits affected the distillery and all imported spirits. Wine, indeed, was already heavily taxed, but North had discovered that, on the occasion of the last increase, in 1778, the merchants and retailers had raised the price by about four times the amount of the additional duty! A further addition would not, as he was informed and believed, operate to limit the consumption, while it could have no effect in increasing adulteration, which had already reached the utmost point possible. He therefore im-

¹ 19 Geo. III. c. 25.

posed a fourth additional tunnage of 8*l.* upon French, and 4*l.* upon other wines. The addition for salt was 1¼*d.* the gallon, or 10*d.* the bushel.¹ The expected yield of these additions was:—

From malt	: £310,000	From wine	. £72,000
„ spirits	. 160,000	„ salt	. 69,000

A new duty on the exportation of coals would produce 12,900*l.*, and an additional 5 per cent., imposed in respect of all the taxes of the year, and some minor taxes, about 68,000*l.*

In this year a step was taken in extension of the licensing system. Some revenue had for many years been derived from annual taxes on the business of hawkers, hackney coachmen, publicans, and dealers in gold and silver plate. A new license was now introduced, costing 5*s.*, which all sellers of tea, coffee, and chocolate were required to take out annually.² It was estimated to produce about 9,000*l.* a year.

North, and those who worked for him, still employed in searching for suggestions for new taxes in that mine of information, ‘The Wealth of Nations,’ had now under consideration the imposition of a tax on the succession to property, to resemble the Dutch tax on collateral successions mentioned by Adam Smith, itself a copy of the ‘vicesima hereditatum et legatorum’ of Augustus. Unable as yet to mature a plan for such a tax in extenso, he was content to introduce the thin end of the wedge; and, adopting the principle, imposed a stamp duty upon every receipt which

¹ See as to malt and spirits, 20 Geo. III. c. 35; wine, c. 39; salt, c. 34.

² 20 Geo. III. c. 35.

should be given for any *legacy or share of personal property* in consequence of a death. This was to produce 21,000*l.*, and was supplemented by an addition to the tax on probates and administrations.

1781. The additional revenue for 1781 was derived from another *additional 5 per cent. on the excise duties* generally, with exceptions in favour of the taxes falling on beer, which had been further taxed in the preceding year, and those on the three articles of general consumption, soap, candles and leather; reductions to be made in the discounts allowed for customs duties; an additional $1\frac{3}{4}d.$ the pound on tobacco, raising the duty to $10\frac{1}{2}d.$; and an additional 4*s.* 8*d.* the cwt. on sugar.¹ These would yield—

Excise, additional 5 per cent. . .	£150,000
Customs, reduced discounts . . .	167,000
Tobacco, $1\frac{3}{4}d.$ additional . . .	61,000
Sugar, 4 <i>s.</i> 8 <i>d.</i> additional . . .	326,000

1782. On March 6, 1782, when North asked the House to permit him to postpone the discussion on taxation, Burke passed under review the taxes already imposed in the war. ‘The blessed fruits of the noble lord’s administration were,’ he said, ‘an additional load of ten new taxes,’ and, among others, he specified beer, wine, houses, coaches, post-chaises, post-horses, stamps, and servants; and when a friend hinted that he had forgotten sugar, he added that, ‘having lost St. Kitts, as in all human probability we should Barbadoes and Jamaica, it was not extraordinary he had forgotten that valuable article, as we should soon

¹ See as to discounts, tobacco and sugar, 21 Geo. III. c. 16; excise duties, c. 17.

have no sugar to tax. He did not wonder that the noble lord was at a loss about new taxes. We were already taxed if we rode or if we walked ; if we kept at home or went abroad ; if we were masters or if we were servants ; if we drank wine or if we drank beer ; and, in short, we were taxed in every way possible.'

But North, though in difficulties regarding new taxes, had not yet exhausted his list. The new taxes he proposed for 1782 were to fall upon PROPERTY INSURED FROM LOSS BY FIRE ; BILLS OF EXCHANGE AND PROMISSORY NOTES, instruments of commerce which had hitherto been excepted from the operation of the stamp tax ; the carriage of goods by coach or carrier, river navigation or coastwise—land carriage and water carriage ; licenses for places of public entertainment ; and a LICENSE FOR DEALERS IN TEA, with an addition to the duties on the retail licenses.

Such were the new taxes. In addition to these, there was to be an increase for beer of a certain sort ; 4*d.* the lb. additional for tobacco ; the duty on home-made rock salt was to be raised to 5*s.* the bushel ;¹ and lastly the duty on SOAP, which had been exempted from the several rises in the excise duties, and, indeed, had not been increased since 1714, the year subsequent to that in which the tax was imposed, was to be raised $\frac{3}{4}$ *d.* the pound for hard, and $\frac{1}{4}$ *d.* the pound for soft, soap. The estimated yield of the new taxes would be, from—

¹ By $1\frac{1}{4}$ *d.* the gallon, raising the duty to $7\frac{1}{2}$ *d.* the gallon. A new duty was imposed on medicinal salts, which hitherto had not been taxed, viz., Glauber or Epsom salts, and mineral alkali, or flux for glass.

	£
Fire Insurance	100,000
Bills and notes	50,000
Carriage of goods, land, 60,000 <i>l</i>	} 270,000
" " water, 210,000 <i>l</i>	
Playhouses	30,000
Tea licenses	48,750

From additions to Existing Duties.

Beer	42,000
Tobacco, 4 <i>d</i> . additional	141,330
Salt	60,000
Soap	104,500

The im-
post of
1782.

The taxes proposed were carried into effect, except that relating to the carriage of goods, and that for playhouses, which it was urged would ruin the theatres. And, in the event, *another additional 5 per cent. was granted on the port duties and the excise duties*, except those on beer and malt, soap, tallow candles, and leather.¹ To the tax on property insured from fire risk, Fox had raised strong objections; to which North returned the answer that objections to proposed taxes should be accompanied with counter suggestions of some other means of meeting the requirements of the state. And the addition to the tax on soap gave rise to considerable clamour outside the house of commons, and caused the minister to be caricatured as ‘Old Soapsuds.’

Having proposed these taxes, North added that he had yet in reserve a proposal to tax receipts and discharges for money, which he regarded with favour,

¹ See as to fire insurance, 22 Geo. III. c. 48; bills and notes, c. 33; tobacco, c. 28; salt, c. 39; beer and soap, c. 68, and excise and customs generally, c. 66.

but did not introduce on account of objections to the proposal raised in other quarters ; and lastly, a scheme, the nature of which he did not mention, to produce no less than an additional 800,000*l.* of revenue, which he considered perfectly practicable.

The additional taxes were proposed on opening the second part of the budget, March 11.

Meanwhile, public opinion regarding the war had undergone a change. The original popularity of the war had waned, as disaster had succeeded disaster ; and, as the difficulties of enforcing our views on the colonists evidently increased, a feeling began to spread that great concessions should be made to America. This change in public opinion was reflected in the house of commons ; but the king continued obdurate, and endeavoured to weaken the opposition by attempts to remove its most powerful members to the ministry. Failing in this course, he was at last compelled to yield to the parliamentary majority ; and North, who had long been willing to resign, and only retained his post in deference to the wishes of the king, anticipating, by a clever stroke, a motion of lord Surrey for the removal of the ministers, announced his resignation, and went off from the House on a bitterly cold day—‘ snow was falling, and the night was tremendous ’—in his coach, which was ready for him, taking with him a friend or two, and chuckling at the members whose coaches were not ordered : ‘ I have my carriage. You see, gentlemen, the advantage of being in the secret. Good night.’¹

March 20.

¹ Russell, Mem. of C. J. Fox, i. 296.

The king now sent for Shelburne and requested him to form a government, but was advised by him to have recourse to Rockingham, as leader of the principal section of the whigs and chief of the party. In Rockingham's second administration, formed partly of whigs and partly of 'king's men,' Shelburne took the HOME, and Charles James Fox—who since the severance of his connection with North in 1774 had been in opposition, and eventually, in 1779, had joined the Rockinghams—the FOREIGN, department;¹ while lord John Cavendish held the post of chancellor of the exchequer.

Rockingham's health had for some time been on the decline, and when he died, in July, the king announced his intention to promote Shelburne. This did not suit the views of the whigs, who desired the promotion of the duke of Portland, the acknowledged chief of the party. Moreover, Fox had reason, as he thought, to suspect that Shelburne, by underhand dealings, had impeded the progress of his negotiations for peace at Paris. He therefore resigned office, and lord John Cavendish with him. Portland followed, and Burke, Sheridan, and, with a few exceptions,² the rest of the Rockingham party.

¹ According to the new division of the office of secretary of state, which was this: the HOME OFFICE, formed out of the old Southern department, retained the Irish and colonial business; the FOREIGN OFFICE, formed out of the old Northern department, comprised, in addition, the correspondence with the western states of Europe, previously under the charge of the Southern secretary. The Home secretary, as the successor of the Southern secretary, retained the seniority in rank. The third or American secretary was now abolished.

² The duke of Richmond, Conway, and lord Keppel. The duke con-

Thus was effected the great schism which divided the whig party into Foxites and 'Lansdownians,' as they were termed when, in 1784, Shelburne was created marquis of Lansdowne.

In the administration of his father's friend, young William Pitt, now twenty-three years of age—he was born in the Great Year of victories—held the post of chancellor of the exchequer. But the administration was not long-lived. Shelburne had entered upon office without ascertaining what support he could rely on, or might have a reasonable prospect of receiving. A coalition was formed between Fox and North, who acted from a feeling of resentment at his proscription by Pitt and Shelburne; and eventually the cabinet resigned, in consequence of a vote of censure passed in the house of commons, on the motion of lord John Cavendish, regarding the preliminaries of peace.

1783.

February.

A long 'interministerium' followed before the formation, in April, of the famous coalition ministry of North and Fox, under the leadership of Portland. Pitt, though requested to retain his post, refused to serve with North, and remained with his party in opposition, and lord John Cavendish again became chancellor of the exchequer.

The additional taxes imposed by the Coalition had relation principally to the stamp duties. A general augmentation of the duties for most of the

sidered himself to have the first claim to the post of prime minister, but was rejected by his friends on account of his extreme opinions on parliamentary reform. Lewis's Administrations, p. 29; Russell, Mem. of C. J. Fox, i. 445.

instruments previously taxed, was accompanied by the introduction of several new heads of charge. North's new tax for bills of exchange and notes was doubled, to produce an additional 100,000*l.*; and a new tax of considerable importance was introduced into the stamp list, by the adoption of the suggestion made to him for a TAX ON RECEIPTS for money amounting to 2*l.* or more. This would yield 250,000*l.* Other new taxes of the year had relation to the registry of burials, marriages and births; quack medicines, subsequently changed into the tax on proprietary, or, as they are termed, 'patent' medicines, which is still in existence; and the stage coach business, for which the mileage, $\frac{1}{2}$ *d.*, was doubled, to yield 25,000*l.*

A small duty on waggons and carts had in view the prevention of smuggling more than any increase in the revenue, and was, to a certain extent, a registration tax.

Lastly, the power of the excise commissioners to compound with private persons for the malt made on their premises, not for sale, but for their own use, was repealed.¹

The Coalition did not last out the year; and the prints still to be seen in shop windows in London of that popular caricature of Sayer,² of 'Carlo Khan's

¹ See as to stamps, 23 Geo. III. c. 58; bills and notes and receipts, c. 49; medicines, c. 62; stage carriages, c. 63; malt compositions, c. 64; waggons and carts, c. 66; and burials, marriages, and births, c. 67.

² Sayer was courting the favour of William Pitt, from whom he obtained subsequently the office of marshal of the court of exchequer, receiver of the sixpenny duties, and cursitor of the exchequer

triumphal entry into Leadenhall Street,' which Fox acknowledged to have had an important bearing on the question, serve to remind us of that famous India Bill, which, drafted by Burke and introduced by Fox, passed the Commons, but was rejected by the Lords, Dec. 17. as calculated to increase overmuch, by patronage, the power of the ministry of the day, and proved the cause of the resignation by North and Fox of their offices as secretaries of state, and the downfall of the ministry.

There was considerable difficulty in forming a new administration. All who had held office under the late government were unavoidably excluded; so were Shelburne and his immediate friends. Pitt undertook the difficult task, and formed an administration in which he held, according to precedent, the post of chancellor of the exchequer as well as that of first lord of the treasury, his colleagues being principally well-known members of the party termed the king's friends, or young aspirants to office willing to tread in their steps.¹ Dec. 23.

Unable to transact business with the existing house of commons, Pitt resolved to appeal to the country, and parliament was dissolved by the king, 1784. without an Appropriation Act. In the elections, the popular aversion to the coalition of Fox and North, Mar. 24. and the hatred of the India Bill, proved the cause of the loss of their seats to over 150 of 'Fox's martyrs,'

¹ Pitt was the only member of the cabinet not in the Lords. William Wyndham Grenville, his cousin, subsequently so well known as lord Grenville, assisted him in the Commons, and held the post of one of the joint paymasters of the forces; and Henry Dundas, subsequently lord Melville, was treasurer of the navy.

as they were termed¹; and Pitt, having a considerable majority in the Commons, was enabled to commence with confidence, in the parliament that met in May, the reforms he had in view.

Before we proceed to trace Pitt's career at the exchequer, it may be useful to give a summary of the taxes imposed or increased by North and the coalition ministry. As the result of the war of American Independence, we have to add the following to our fiscal list :—

I. DIRECT TAXES.

Land tax 1s. in the £ additional.

Inhabited houses, 1778.	Property sold at auctions, 1777.
Men servants, 1777.	Coaches, 1776.
Legacy duty, 1780.	Posting, 1779.
Fire Insurance, 1782.	Waggons and carts, 1783.

II. TAXES ON ARTICLES OF CONSUMPTION.

Additional Duties.

Salt and sugar.

Beer, malt, wine and spirits.

Tobacco, additional 5½d.

Manufactures : soap, glass, newspapers and advertisements.

General percentages : port duties (customs), 10 per cent. ; excise, with exceptions, 15 per cent.

New Taxes.

Patent medicines, 1783. Tea licenses, 1782.

III. STAMP DUTIES.

General increase, 1783. Deeds.

Bills and notes, 1782 ; doubled, 1783.

Receipts, 1783.

Register of burials, marriages and births.

Taxes Proposed but not Passed.

Carriage of goods (land and water), 1782.

Playhouses, 1782.

¹ In allusion to the work of Dr. Fox, a book which was better known to the lovers of horrors of a former, than it is to those of the present, generation.

CHAPTER VIII.

THE TIMES OF WILLIAM PITT—BEFORE THE GREAT WAR.

1784—1792.

Pitt's first fiscal measures. The Commutation Tax. The Budget of 1784. New taxes on saddle and carriage horses, sportsmen, trade licenses, bricks, and hats. Additions for candles, paper, and printed calico. Failure of a proposal to tax coal at the pit and growers of hops. New tax on the manufacture of plate. New tax on race-horses. Sir R. Hill's suggestions for taxes. List of the new taxes of 1784. The group of assessed taxes. Taxes on shopkeepers. New taxes on women servants, and shops. New trade licenses on pawnbrokers, coachmakers, sellers of gloves, and attorneys. New taxes on perfumery and hair powder. The Eden treaty with France. The Consolidated Fund. The Sinking Fund. Repeal of the shop tax. The Newsmen's Bill. The Tobacco (Warehousing) Bill. Taxes for the Nootka Sound Armament. Repeal of taxes in 1792. The calm before the storm. State of England in 1792.

THE fiscal career of Pitt divides itself into two parts, of which the first belongs to the history of taxation before the war with revolutionary France.

A disciple of Adam Smith, and assisted at the treasury by George Rose, the secretary, who had gained considerable experience in that position under North, many of his earlier proposals for taxes and the improvement of our fiscal system were derived from suggestions made or opinions expressed in 'The Wealth of Nations,' while others were revivals of projects pigeon-holed at the treasury, or in continuation of measures already in progress.

1784.

The first of the many considerable alterations in our system of taxation he was able to effect in his first year of office, was a reduction of the duty on tea. This article of general consumption, in consequence of the excessive rates to which the duties had been raised, formed the subject of an extensive system of smuggling. The reduction effected by Pelham, in 1745, had resulted in the almost total abolition of an extensive system of contraband trade. But, unfortunately, his policy had subsequently been reversed by his successors in office, and the duty had again been raised so high as to cause smuggling to be universal. Reverting to the policy of Pelham, Pitt reduced the existing rate of 119 per cent. to $12\frac{1}{2}$ per cent. on the value of the tea; and, in anticipation of a loss to the revenue from so great a reduction, imposed, in compensation, additional duties on the windows in houses. This alteration was made by an Act which did not pass through the House without encountering considerable opposition during several nights of debate, and which was famous, at the time, as THE COMMUTATION ACT.¹

The measure proved to be a master-stroke, and established for the young minister, at the commencement of his career, a reputation for fiscal ability, which had an important bearing upon his future success.

The
Budget.

The budget included a number of suggestions for new taxes. In the first place, another tax was to be imposed by relation to the establishment kept by the taxpayer. The existing taxes of this description

¹ 24 Geo. III. c. 38.

were: that in respect of men servants, introduced by North, in 1777, from a Dutch original, and Pelham's, for carriages, which was, in effect, a revival of one of the heads of charge in an old poll-tax Act. Pitt's tax was copied from a head of charge in the last poll-tax Act, having reference to horses kept for the militia, but was imposed in respect of HORSES kept for the saddle or for driving in carriages.

A second new tax, on certificates of QUALIFICATION Sporting. FOR SPORTING, belonged to a class of taxes recommended by writers on taxation who advocated the application of an universal system of licenses as the best fiscal system, under which a license was to be required for almost every act in life—for drinking tea, for drinking beer, for riding a horse, &c., &c. At this date, the privilege of sporting was limited to persons possessed of land to a certain amount or holding a certain rank or position, and therefore the new tax touched only persons of property. The amount of annual duty originally proposed was a guinea.

The system of TRADE LICENSES Trade licenses. already applied to hawkers, hackney coachmen, dealers in gold and silver plate, dealers in and retailers of tea, and sellers of spirits, wine, and beer, was further extended, and applied to all persons carrying on any trade or business subject to the excise, a list which included a large proportion of the principal manufactures of the kingdom. Originally Pitt's intention appears to have been to tax the traders on the ad valorem principle, not generally, perhaps, but still to a considerable extent; for he mentioned, in his speech

on the budget, the taxation of a great many intermediate dealers in goods, according to the extent and profit of their businesses.¹ But in the result, the only licenses charged with duties varying according to the quantity of the articles produced for sale, were those of the brewers and maltsters. The other licenses were charged at fixed amounts.

Bricks.

Lyttelton's project for a tax on BRICKS was revived, and, though rejected in 1756 for excellent reasons, which still existed, now passed into law. A new tax was imposed upon HATS. Additions were made to the tax on candles, which had been spared all through North's fiscal career, and to the taxes on paper, and printed linen and calico.

Lastly, the petty customs on aliens' goods, the duty of 1 per cent. termed the Mediterranean duty, and all other duties on aliens' goods, were repealed as now an unnecessary burden on commerce.²

Coals at
the pit.

Two taxes in the budget Pitt was compelled to abandon: a tax on coals at the pit, which he proposed in order to tax inland consumption at the same rate as sea-borne coal to London; and a license duty for growers of hops. In lieu of these, he increased the payment required for the postage of letters; raised the duty for qualifications for sporting from one guinea to two guineas, adding a supplementary tax of 10s. for certificates for gamekeepers; and, notwithstanding the existence of the license duty on

¹ Parl. Deb., xiv. p. 102. See as to horses, 24 Geo. III. c. 31; sporting qualifications, c. 43; trade licenses, c. 41.

² See as to candles, 24 Geo. III. c. 11; paper, c. 18; printed cottons, c. 40; bricks, c. 84; hats, c. 51; customs, c. 16.

the sellers of gold and silver plate, in commutation of Sunderland's tax on silver plate, imposed another tax on THE MANUFACTURE OF PLATE, of silver as well as of gold. For the purposes of this tax, all plate was required to be marked, when assayed at the Assay Office, with, in addition to the ordinary assay marks to show the quality and place and year of assay, the mark of the sovereign's head, in order to denote payment of the duty on the article assayed. The last new tax of the year was imposed upon RACE-HORSES—all horses running in any race.¹

A list of suggestions for taxation, drawn up for Pitt in this year by sir Richard Hill, proves that, whatever might be the fertility of his own mind in the invention of new taxes, there were not wanting those who endeavoured to assist him by proposals of a very comprehensive character. Sir Richard had very strong objections, in common with many other members of parliament, to the proposed tax on bricks; and as, at this date, it was considered a settling reply to objection that it was unaccompanied by any counter-suggestions, he justified his opposition by producing a list of taxes he proposed as substitutes for the tax on bricks. The list comprised :—A double Sunday toll at all turnpikes; a tax per gross on corks; taxes on powder, guns, and pistols; on pins, needles, black pins, and fans; on prints; on printed music, message cards, visiting tickets, and wafers; and on all places of public diversion, including play-houses, operas, masquerades, Ranelagh, Vauxhall,

Plate.

Sir
Richard
Hill's list.

¹ See as to plate 24 Geo. III. c. 53; racehorses, c. 31.

Sadler's Wells, Astley's, Hughes', cum multis aliis, the duty to be collected by means of check tickets; taxes on clocks and watches; on all places for horse races; on ropes, twine, and packthread, and an addition to the duties on magazines and newspapers.¹

The following lines on the new taxes of 1784, written at the time, may assist the memory in recalling the particulars of the budget of that year:—

Should foreigners, staring at English taxation,
Ask why we still reckon ourselves a free nation,
We'll tell them we pay for the light of the sun;
For a horse with a saddle, to trot or to run;
For writing our names; for the flash of a gun;
For the flame of a candle to cheer the dark night;
For the hole in the house, if it let in the light;
For births, weddings, and deaths; for our selling and buying—
Though some think 'tis hard to pay threepence for dying;
And some poor folks cry out, These are Pharaoh-like tricks,
To take such unmerciful tale of our bricks.
How great in financing our statesmen have been,
From our ribbons, our shoes, and our hats may be seen.
On this side and that, in the air, on the ground,
By Act upon Act now so firmly we're bound,
One would think there's not room one new impost to put,
From the crown of the head to the sole of the foot;
Like Job, thus John Bull his condition deploras,
Very patient, indeed, and all covered with sores.

Formation of the group of 'Assessed Taxes.'

1785. Some of the additions to our taxes made by Pitt in his first budget were subsequently allowed to be failures. But an unquestioned improvement in our fiscal administration was effected by him in the next year, when he reformed the administration of the

¹ Parl. Hist. xxiv., p. 1233.

taxes relating to establishments. Nothing could be more defective and inconvenient than the existing arrangements. The tax on carriages and the small tax on waggons, wains and carts, imposed by the Coalition, were under the management of the commissioners of excise; and so was the tax on men servants, which, originally under the management of the commissioners of taxes, had been transferred, in 1781, to the excise, 'for better management.' The new taxes on saddle and carriage horses and racehorses were under the management of the commissioners of stamps, and were therefore 'stamp' taxes, or, as they were termed, with others equally misplaced in the stamps list, 'unstamped duties of stamps.' The returns hitherto made of carriages and horses had been notoriously incorrect and insufficient. A third board, the 'commissioners for the affairs of taxes,' had the care and management of the two house taxes, viz. the window tax and North's tax on inhabited houses. It was clear that their officers must have an acquaintance with the circumstances of the taxpayer calculated to secure a better supervision of the taxes on his domestic establishment than could be expected from the officers of excise or the distributors of stamps. And, therefore, with a view to prevent the continuance of fraud and malpractices, and more effectually to secure the collection of the duties, Pitt placed all the before-mentioned taxes under the management of the board for taxes,¹ in a group, comprising the taxes on houses, carriages, men servants, saddle and carriage horses and racehorses.

¹ 25 Geo. III. c. 47.

This group was subsequently known as 'THE ASSESSED TAXES.'

These assessed taxes hardly touched the shopkeepers, whom Pitt was anxious to include as contributories to taxation, considering that they had not hitherto borne any adequate part of the burden. In Holland, whence our tax on men servants was copied, women servants were included in the system of taxation in force, and had always been subject to tax. A suggestion had been made in the House, in 1783, that they should also be included in taxation in this country; but the proposal had proved extremely unpopular, and was a serious obstacle to sir Cecil Wray in his famous contest with Fox for the representation of Westminster, at the general election. Very distasteful to the shopkeepers as had been the new Coalition tax on receipts, this proposal to tax the maids was more distasteful to them. The maidservant, with her broom of vengeance, had figured, in all the caricatures of the contest, as an important opponent to sir Cecil, and he had been greeted with a chorus of reproof

For though he opposed the stamping of notes,
'Tis in order to tax all your petticoats.

Women
servants.

Pitt now renewed the proposal, and, in order to tax establishments of the shopkeeper class, added to the assessed taxes a new *tax on women servants*, professedly copied from the Dutch original. As may easily be imagined, the new tax gave rise to a good deal of amusing comment within and outside the House, and more particularly to many jokes of a free description in the 'Rolliad.' For as, by his own party,

Pitt was extolled as an exception to the rule of intemperance which governed the conduct of so many of the youth of the day; so, on the other hand, no opportunity was neglected for a joke at the expense of the young man of whom it was said,

Nulla Venus nullique animum flexere hymenaei.

In the same view Pitt revived the project for a Shops. tax on shops, and imposed a duty upon all SHOPS, after the plan of the tax on inhabited houses, according to the rent paid by the shopkeeper for the shop.

Annual trade licenses were required in the same year, for PAWNBROKERS in Great Britain, costing 10*l.* in the metropolis, and 5*l.* elsewhere; for COACHMAKERS, with a tax of 20*s.* for every four-wheeled, and 10*s.* for every two-wheeled carriage made by them; for sellers of GLOVES AND MITTENS, with a tax on the articles sold by them; and for ATTORNEYS, with a higher rate for practice in the metropolis than for practice in the provinces,¹ and in 1786, for dealers in PERFUMERY, with a tax on all perfumes, tooth-powder, pomatum, and hair-powder sold by them.²

The famous *commercial treaty* of 1786 with France, The Eden Treaty. which on this side of the Channel we term Pitt's treaty, but which our friends on the other side, by whom even now the name of Pitt is not considered auspicious, term the Eden treaty,³ from the name of

¹ See as to servants, 25 Geo. III. c. 43; shops, c. 30; pawnbrokers, c. 48; coachmakers, c. 49; gloves and mittens, c. 55; attorneys, c. 80.

² 26 Geo. III. c. 49.

³ The negotiator on the side of France was M de Rayneval. Rougier, *Liberté Commerciale*. Smuggling in France, organised upon a system, afforded, in the smugglers' tariff, the basis of the treaty arrangements.

the negotiator, put an end, for a time, to that war of the tariffs between this country and France which had now continued for more than a century, to the great prejudice of the interests of both nations. The protection to the native manufacturer against foreign rivals, which it was the object of a high tariff to secure, was no longer required for our manufacturers, who now stood in a very different position from that in which they stood at the date of the treaty of Utrecht, when the famous 8th and 9th clauses, supported by Bolingbroke, had been rejected by the House in consequence of the opposition of the protected traders and the whigs. In glass, in paper, in linen, in silk, as well as in wool, we now could hold our own against continental rivals. Cambric was the only material of which France had the monopoly. 'Is there anything in the eternal law of the universe,' asked Pitt, 'that keeps the two nations in perpetual antagonism?' In connection with this treaty, which met with considerable opposition from the brewers, the duties on French wines and brandy were considerably reduced.

1787. In 1787 Pitt was able to carry into effect a CONSOLIDATION OF THE NUMEROUS PORT DUTIES AND EXCISE DUTIES, a measure which had been strongly recommended by Adam Smith in the 'Wealth of Nations,' and for which a plan had been proposed to North by George Rose. The Act that consolidated the duties abolished the old system of separate accounts for all the separate items. Henceforth the produce of these duties, of several other taxes particularly mentioned, and of

all future taxes not specially appropriated, was to be carried to one CONSOLIDATED FUND.¹ From this general reservoir was fed the Sinking Fund of the previous year, which Pitt had established for the eventual reduction of the national debt, grounded upon the report of a committee of the house of commons, that, having regard to the income and expenditure of the country, in time of peace, a surplus income of about a million might be expected.

Consolidated
Fund.
The
Sinking
Fund.

Meanwhile the tax on shops had formed the subject of an annual attack by Fox, who urged that it was an unfair tax on a particular class, Pitt maintaining the contrary opinion, that the tax was recouped to the shopkeepers by their customers, who bore the burden. At last, in 1789, Pitt gave up the tax, and with it 56,000*l.* of revenue; and the exchequer was recouped by an increase in the taxes on establishments of horses and four-wheeled carriages, and additions to the probate and legacy duties. The additions were calculated to produce, in probate duty, 18,000*l.*, and in legacy duty, 5,000*l.* per annum; but these taxes, as yet undeveloped, became of greater importance as subsequently altered by Pitt after the commencement of the war. Lastly, an additional $\frac{1}{2}d.$ was imposed upon newspapers, with 6*d.* additional on advertisements in newspapers and pamphlets, to produce 28,000*l.* and 9,000*l.* respectively. This addition was not made without serious opposition. But the debates on the question on the Newsmen's Petition, July 2, and on the News-men's Bill, July 3, possess, at the present day, only

¹ 27 Geo. III. c. 13, see ss. 47, 52.

such interest as may attach to the ventilation in former times of questions on which, in these days, there is no difference of opinion. Pitt maintained his proposal as a suggestion for a tax on an acknowledged article of luxury, capable, in his opinion, of bearing a considerable tax.¹

Walpole's scheme for WAREHOUSING TOBACCO, withdrawn in 1733 on account of the opposition excited by representations that it was in effect a step towards a general excise, was now re-introduced. In the debates on the Tobacco Bill, Fox and Sheridan reproduced all the old arguments against excises, and pointed to the failure of Walpole's Excise Bill, and the repeal of Dashwood's cider tax. Pitt, however, carried his plan into law, and subsequently maintained it. The tax was imposed partly as an import duty and partly as an excise duty. Tobacco, on importation, was to be warehoused, and was subjected to the excise system of survey and permit. By this means it was supposed the revenue authorities had the advantage of a double hold, which, it was hoped, would enable them to overcome, at any rate in a measure, the monstrous system of smuggling that existed.²

Taxes for the Nootka Sound Armament.

1790. In 1790, the prosperous state of the country, reflected in the returns of revenue, enabled Pitt to announce, when he opened the budget, April 29, that he had no proposal for additional taxation to produce

¹ See as to shops, 29 Geo. III. c. 9; horses and carriages, c. 49; probate and legacy, c. 51; newspapers and advertisements, c. 50.

² 29 Geo. III. c. 68.

for consideration. But before the close of the year, circumstances occurred which rendered necessary a supplementary budget. In Vancouver's Island, one of the discoveries (1778) of the famous navigator captain Cook, our colonists, with a view to supply the Chinese market with furs, had formed, a few years before this date, a settlement at Nootka Sound. At this place the Spanish ships of war had, in assertion of the old claim of Spain to the western coast of America, seized two British vessels; the contents of the vessels had been sold, and the officers and men had been sent as prisoners to a Spanish fort. An armament was at once prepared to exact reparation from Spain, and the first business of the new parliament, which met in November, was to make provision for the expenses of the preparations.

The additional taxes proposed in this supplementary budget, for a term sufficient to defray the loan of the year, are interesting as the outcome of Pitt's matured experience. In selecting them he had regard to both direct and indirect taxation, with a view to combine, as far as possible, all classes in contribution. The direct taxes to be raised were those comprised in the group termed the Assessed Taxes, which, it will be borne in mind, touched householders and establishments. These, with the exception of the commutation tax, would be raised by 10 per cent.; and an addition would be made to the cognate tax on sportsmen.

The articles of consumption selected for increased taxation were spirits, sugar, and malt. The tax on the distillery, equal to 2*s.* 6*d.* the gallon on the spirits,

would be raised by an additional 5*d.*;¹ and there would be an equivalent rise for the colonial spirit, rum, and an addition for French and other brandy. 2*s.* 8*d.* additional, the cwt., for sugar, would raise the duty to 15*s.* The addition for malt would be 3*d.* the bushel, but this would be payable only for two years. The annual yield would be:—

	£
Assessed taxes, 10 per cent.	100,000
Sporting, additional	25,000

Articles of Consumption.

Spirits—Distillery	86,000 <i>l.</i>
Rum	67,000 <i>l.</i>
Brandy, &c.	87,000 <i>l.</i> —240,000
Sugar	241,000
Malt, in two years	122,000

Eventually all the proposed taxes passed into law;² though the proposal to raise the malt duty met with considerable opposition, and several taxes were suggested in lieu thereof, more particularly, on dogs, weights and measures, and cider.

1792.
Repeal of
taxes.

In the next year, however, Pitt was able to take off not only this temporary duty on malt, but also the tax on women servants, which, paid by the poorer class of housekeepers, was charged upon about 90,000 different families, and that on carts and waggons; while other remissions had reference to what we may, for the moment, term the taxes on light in dwelling-houses. The reader may have been struck, when glancing down the lines, on a previous page, descrip-

¹ 1*d.* on the wash, equal to 5*d.* on the spirits.

² See as to spirits, 31 Geo. III. c. 1; malt, c. 2; taxes, c. 5; sugar, c. 15; sporting certificates, c. 21.

tive of the taxes of 1784, by three of them, which have a bearing upon this subject :—

We'll tell them we pay for the light of the sun ;
 For the flash of a candle to cheer the dark night ;
 For a hole in the house, if it let in the light.

The duties on houses with less than seven windows, and the additional $\frac{1}{2}d.$ the lb. on candles imposed in 1784, were now repealed. The repeal extended to between 300,000 and 400,000 houses, while the duty on candles pressed more, perhaps, than any other tax on consumption upon the poorer classes. The loss to the revenue would be 31,000*l.* from women servants, 30,000*l.* from carts, 56,000*l.* from houses, and 106,000*l.* from candles : a total remission of 223,000*l.*, exclusive of malt.¹

The Calm before the Storm.

These measures for the relief of the poorer class of taxpayers were proposed in Pitt's speech on the consideration of the public revenue and expenditure, February 17, one of his finest speeches ; for Sheridan and Fox both acknowledged its 'splendour,' and the impression it made on the committee. In this he stated that 'unquestionably there never was a time in the history of this country when, from the situation of Europe, we might more reasonably expect fifteen years of peace.' Lord Grenville² had in the previous August expressed a similar opinion. Writing to his brother,

Pitt's
 'splendid'
 speech.

¹ 32 Geo. III. cc. 2, 3, 4, 6, 7. Parl. Hist. xxix. 816 et seq. Pitt's Speeches, ii. 24.

² He had been made a peer in November 1790, and now held the foreign office, to which he had been transferred in May 1791.

he said,—‘ We shall now, I hope, for a very long time indeed enjoy this blessing (of peace) and cultivate a situation of prosperity unexampled in our history.’ And such was the general opinion at the time; for it was thought that the French had too much on their hands at home to allow them to interfere with affairs abroad. Pitt and his friends therefore looked forward with confidence to a long course of reductions of the national debt, abolitions of taxes, and the promotion of commerce and the general welfare of the kingdom.

State of England in 1792.

Never in her previous history had England presented a picture of prosperity equal to that which ‘ had been the happy result of ten years of economy, of labour, of firmness, and of wisdom on the part of parliament in their endeavours to cultivate the arts of peace, to augment the revenue, and to ameliorate the condition of the people of the country ’¹—her condition in 1792. The population was increasing in numbers day by day. Farming in all its branches was flourishing. The principal branches of our manufactures showed a continuous and steady improvement. Facilities of communication multiplied themselves; and fleets of vessels carried on an increasing import and export trade, protected by an adequate naval force under trustworthy commanders.

Land.

To go into particulars and take, first, the land. The agricultural interest derived increasing profit, in

¹ Pitt’s speech in answer to Mr. Whitbread’s observations, April 5, 1802. Speeches, iv. 215.

rent and produce, from a largely increased area of land under cultivation. Of the 37 millions of acres of land in England, about 18 millions had been, in 1685, moorland, forest, and fen. Three millions of these had been brought into cultivation before 1727; but since that time inclosure Acts had been passed year after year, in numbers—latterly, thirty-three Acts in 1789, twenty-five in 1790, forty in 1791, and about the same number in 1792. And of this increased area no small portion was now worked upon a regular system, that four-course system of turnips, barley, oats, and wheat, which lord Townshend had so carefully studied at Raynham and mr. Coke at Holkham, in Norfolk—examples only of the many great landowners who devoted much labour to agricultural improvements, of which the results had been carefully recorded by Arthur Young in his ‘Farmer’s Tour’ and other ‘Tours.’ No country in the world produced sheep to equal our Southdowns and Cotswolds, or mr. Bakewell’s long-woolled Leicesters; none, an ox to yield a broad sirloin equal to that of our Herefords, Devons, or shorthorns; none, any horse to equal, for purposes of husbandry, the Suffolk punch, for purposes of heavy draught the London dray horse, in the hunting field the English hunter, or on the race-course the successors of Eclipse and Diomed.

Fortified by the estimate accepted by the author of the ‘Wealth of Nations,’ the calculations of Arthur Young, and the received opinion that a land tax of 4s. in the 1*l*. was equal to about 2s. of what would

be collected on the real rent of land, we may put the income from land in Great Britain at about 22,000,000*l.* for rent, and from 17,000,000*l.* to 18,000,000*l.* for the tenants' profits—at the least, a taxable income of 20,000,000*l.* and 5,000,000*l.* respectively.

Manufac-
tures.

From the wool produced by our sheep, the number of which in England had been estimated, eighteen years before this, at from ten to twelve millions, a manufacture was maintained that supported over a million persons, and supplied the wants of our home population and an export trade of about three millions a year.¹ But cotton had been substituted for wool in some important articles of dress, and the use of machinery, the spinning jenny of Hargreaves, the spinning frame of Arkwright, the mule jenny of Compton, and the power-loom of Cartwright had raised the manufacture of cotton articles from a manufacture for which, between 1776-85, on the average an annual import of 6,776,000 lbs. of cotton was required, to one for which, in 1792, 35,000,000 lbs. were imported. This enormous increase in the use of articles of cotton had, indeed, caused a decrease in the linen manufacture of England. To the same cause was, no doubt, due in a measure a depression in the silk trade. But the unprosperous state of this trade was mainly due to the action of the manufacturers themselves and the operation of the Spitalfields Act, passed at their instigation: a manufacture bolstered up with every sort of prohibition, and subjected to

¹ Campbell's Political Survey of Great Britain, ii. 158.

that limitation of the minimum wages to be taken by workmen which had resulted in driving a considerable portion of the trade from Spitalfields to Macclesfield, Manchester, Norwich, Paisley and other places, was no fair gauge of the prosperity of the kingdom.

A fairer index was presented in the condition of the new industry which about thirty years before this had arisen in the district round Burslem in Staffordshire, termed 'the Potteries.' Here Wedgwood had started a manufacture of useful porcelain, which provided employment for thousands of hands directly and, indirectly, for hundreds of thousands more, and supplied the people with cups and other articles of domestic use little inferior, in the china of which they were made, to the expensive articles for the rich which had been made previously at Bow, at Chelsea, at Derby, where Johnson, on his visit some twenty years before this, found the china as expensive as silver, or at the hard paste manufactories of Worcester and Bristol.

The
Potteries.

A more important industry was daily making progress in the development of the manufacture of articles of iron, which, retarded for ages in consequence of the scarcity of fuel for the furnaces for smelting iron, and estimated for England, in 1740, at only 17,350 tons, from fifty furnaces, where charcoal only was used, had received an impulse from the application of coke as a means for the smelting of iron, first at Tarbert in Stirlingshire, and later on, in 1774, at the Carron Works by Dr. Roebuck. In

Iron.

1788, eighty-five furnaces in England, Wales, and Scotland produced a quantity of iron calculated at about 68,300 tons, of which 55,200 were smelted with coke. And the result of a manufacture which continued to prosper was evident, not only in great works like the iron bridge over the Severn at Coalbrookdale, but at every fireside in the kingdom. Statistics were not in those days so abundant or so trustworthy as they are in our days, but particular information on the subject of the ironworks was obtained by Pitt before proposing the tax on coals he was unable to pass.

Coal.

The rising importance of the coal trade could not be better testified than in this endeavour to get 150,000*l.* a year from our black diamond beds. Its development was only checked in a degree by that limitation of the output which existed by agreement between the coal-owners, and had the effect of limiting the supply. But the coal pit was not our only source of wealth from mining. An abundance of rock salt was derived from the Cheshire salt mines, supplementing the produce of the salt springs in Staffordshire and Worcestershire, from whence came the principal part of the salt in general use in the kingdom; while the increase in the produce of the Cornish tin mines from 2,876 tons in 1750 to 3,202 tons,¹ would probably have been greater had not china in a great measure taken the place of pewter for many articles of household use.

Roads and
Canals.

If, in former times, the country had been sadly

¹ In 1793.

wanting in good roads and other facilities for locomotion as compared with France, such was not the case in 1792. The royal mails established by Pitt, and a multitude of stage coaches—Highflyers, Comets, and Tantivys—rolled along English roads that might compare with any ‘route du Roi;’ while, more slowly, the heavy goods and particularly the produce of the coal mines, passed along the new navigations, or canals: the duke of Bridgewater and Brindley’s canal from Worsley to Manchester, the Stafford and Worcester, the Trent and Mersey or Grand Trunk canal, and many others recently made. Thirty canal and navigation Acts had been passed between 1789 and 1792, and in this year the first sod had just been cut for the Grand Junction Canal. Our means of locomotion were now equal to those of France; and if we could not produce in England anything to equal the tapestry of the Gobelins or Beauvais, the porcelain of Sèvres, the silks of Lyons, or glass or cambric to equal those of French manufacture, in useful manufactures, as well as in agriculture, we now equalled if we did not surpass the French and every other nation.

Such was the condition of England in 1792. In this manifest improvement of our affairs, parliament had their share, and Pitt, his share; but the real source of prosperity was to be found in the development, and the application to manufactures, of that remarkable industry and energy in labour of which an observant writer remarked, a generation after this, that ‘if the English were in a paradise of spontaneous

English
industry.

productions, they would continue to dig and plough, though they were never a peach or a pine-apple the better for it'—aided as they were by invention and machinery. For in a retrospect of these times the most remarkable feature in the picture presented to

The steam
engine.

1776.

us must ever be the Steam Engine of Watt. Some fifteen or sixteen years before this, not long after Watt had joined Boulton, at Soho, when orders were coming in freely for new engines, Boswell had visited the place. 'I sell here,' said 'the Iron Chieftain,' as Boswell terms Boulton, 'what all the world desires to have: Power.' They were then making engines more especially as water pumps for mines, in supersession of the Newcomen engines. But soon afterwards we find their engines used for mills—'Mills are a great field,' said Boulton—to drive flour, cotton and paper mills, roll and hammer iron, and work machinery. They were introduced into Whitbread's brewery, where the king and queen came to see and admire the improvements. The year before that of our picture, the famous Albion Flour Mill, with its rotative engine, had been destroyed by an incendiary; but it had accomplished its object of advertisement: The steam engine was now firmly established, an iron arm of power which was to perform with ease a variety of works of labour in which hitherto the comparatively puny power of men and horses, or the inconstant wind and water, had been employed.

1791.

Foreign
Trade.

If, after the contemplation of this prospect at home, we turn towards the sea and inquire about our trade, the number of vessels belonging to England in

1792 was 10,633, with a tonnage of 1,186,611 tons, and 87,718 men ; and perhaps a fair idea of the extent of our commerce may be formed from the careful estimate made by Pitt, eight years after this, that the amount of capital employed in foreign trade was 80 millions, of which 30 were employed in the export of the leading manufactures of England.

We had also a peculiar source of profit in the income derived from estates in the West Indies, which may be put, deducting for exports and the charge of the cultivation of the estates, at four millions a year. In the West India islands we had a force of 6,886 officers and men for their protection. These formed part of an army, in number, officers and men, between 57,000 and 58,000 ; the remainder of whom were distributed as follows :—

Great Britain . . .	17,000	East Indies	10,000
Ireland	12,000	Canada, Nova Scotia, Bermuda	6,000

The West
Indies.

The Army.

while more than 4,000 guarded the Rock at Gibraltar, where the garrison had been strengthened by the advice of its gallant defender, the late lord Heathfield.

Our navy, in consequence of the preparations resulting from our disputes with Spain and, in support of Turkey, with Russia, was now in a high state of efficiency. The expense had lately caused Pitt to suggest a diminution in the number of seamen ; but this suggestion was far from popular with the nation generally. The lesson of the late war, when we found ourselves opposed to, practically, the existing navies of Europe, was not forgotten ; and it was satisfactory to think that, should we again be placed in

The Navy.

that position, the real effective force of our navy in respect of line-of-battle ships, when compared with the principal navies of Europe, was at this date : England, 115 ; France, 76 ; Spain, 43 ; and Holland, 20. The number of officers and men had varied in the years 1789–92 inclusive, being 20,000, 39,000, 34,000 and 17,361, but could easily be raised to 50,000 or 60,000.

If old Rodney was soon to join Keppel, Hawke, Boscawen, and the others who had preceded him, we should still have with us many tried officers who knew how to ‘break the line’—some of them are better known to us by titles they subsequently gained in upholding our power at sea and protecting our commerce—Howe, the favourite ‘Black Dick’ of the sailors, the two Hoods, Hotham, Duncan, and Jervis, as admirals, and, not yet raised to the flag : Sidney Smith, John Duckworth, Hyde Parker the son, Cuthbert Collingwood, and Horatio Nelson.

Summary of Expenditure and Revenue from Taxes.

	£
Interest on debt	9,300,000
Army and navy (average 1790–2)	6,250,000
Civil List, &c.	1,230,000
Revenue from taxes	17,300,000

Approximate Yield of some of the Principal Taxes,
1792–3.

I. DIRECT TAXES.

Land tax	2,000,000
Houses and establishments	1,300,000
Property insured from fire	185,000
Property sold at auction	75,000
Post horses, coaches, hackney coaches	277,000

II. TAXES ON ARTICLES OF CONSUMPTION.

(a) *Eatables* :—

Salt	377,232
Sugar	1,316,000

(b) *Drinks* :—

£

Beer	2,224,000	} 3,578,000
Malt	1,203,000	
Hops	151,000	
Wine	1,016,000	
Spirits	1,532,000	
Tea	650,000	

(c) *Tobacco* 566,551(d) *Articles not Eatables, Drinks, or Tobacco* :—

Coals exported and coastwise	700,000
Raw and thrown silk	300,000
Iron, bars	150,000
Hemp (rough)	103,000
Muslins	118,000
Calicoes	96,000

(e) *Manufactures* :—

Candles	256,000
Leather	281,000
Soap	403,000
Printed goods	265,000
Newspapers	140,000
Glass	183,000
Bricks and tiles	128,000

III. STAMP DUTIES.

Bills and notes	156,000
Receipts	48,000
Consolidated duties	748,000

 Net receipt from the business of the Post

Office	378,000
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CHAPTER IX.

TAXATION DURING THE GREAT WAR.

PART I.

FROM THE COMMENCEMENT OF THE WAR TO THE PEACE
OF AMIENS. 1793-1802.

Commencement of the war. Cost of the war. First additional taxes. The additions to the assessed taxes and for the distillery, sugar, and foreign spirits made perpetual. Second addition for the distillery and foreign spirits. Additions for glass, bricks and tiles. New taxes on stone and slate. Repeal of the taxes on gloves and mittens and registration of births, &c. In 1795 additions for wine and tea. Third addition for spirits. New taxes on hair-powder and sea insurance. Additional duties on receipts and other stamp duties. In 1796 second 10 per cent. on assessed taxes. New tax on agricultural horses. Additions on pleasure horses and tobacco. New tax on collateral successions to property. Tax on dogs. Additional duties on hats. Second addition for wine. In 1797 further additions for tea, sugar, spirits and bricks. Five per cent. on the port duties. Additional duties on auctions. Third 10 per cent. on assessed taxes. New tax on clocks and watches. Addition for stage-coach proprietors. Proposals to tax parcels by coach and proprietors of canals. In 1797 Pitt in difficulties. General rise in the stamp duties. The Triple Assessment for 1798. The duty on salt doubled. Third addition for tea. The convoy tax. New tax on armorial bearings. The land tax turned into a rent-charge. Failure of the Triple Assessment. The income tax imposed in 1799. In 1800, a fifth addition for spirits, and a fourth for tea. Pitt's last budget before leaving office. Fifth addition for tea. Additions for sugar, timber, raisins and pepper. The duties on paper doubled. Additional taxes on horses, sea insurance, bills of exchange and deeds.

THE feelings of sympathy with the French people in their struggle for freedom, excited in England by the French Revolution of 1789, the greatest political event of modern times, were followed by feelings of amazement and horror, caused by the subsequent

excesses of the revolutionists and the execution of the king, which made a deep impression upon people of all classes in this country. Chauvelin, the French ambassador, was at once dismissed, and it was obvious that hostilities would soon commence. On their side the republic had recalled their ambassador, and eventually in the declaration of war against England, February 1, 1793, began the war with revolutionary France which, with the subsequent war with Napoleon, is known as the Great War.

In 1792 the amount of the national debt of Great Britain was about 237,400,000*l*.¹

The Great War proved more costly to us than all our preceding wars taken together. The cost of the war of the Spanish Succession had been 50 millions, and that of the war of the Right of Search, 43. The Seven Years' War cost us 82, and the war of American Independence, 97. The cost of those wars, taken together, was, therefore, 272 millions. But the Great War cost us 831 millions. Of this sum about 622 millions were added to the national debt.

Hitherto, on the commencement of a war, the first step in taxation had been to raise the rate of the land tax. But the rate was now 4*s*., which had never been lowered since its imposition on the commencement of the war of American Independence. This was considered to be the 'natural limit' of the tax; a 5*s*. rate had never been contemplated by the boldest chancellor of the exchequer. As no additional revenue could be obtained from that source, Pitt's

Cost of
the war.

1793.

¹ Return, Pub. Inc. and Expend. Part II., Appendix No. 12.

first move was to render perpetual the additions on the assessed taxes and the distillery imposed, in 1791, for a limited term, towards the expenses of the Spanish armament; by which means annuities were secured for raising a sum of 4,500,000*l*.¹ In the next
1794. year, he pursued the same course of adherence to the principle of the increase in 1791, by perpetuating the additions for rum and foreign brandy, and sugar; and he now made a second addition for all spirits, home, colonial, and foreign.²

At the same time, taking advantage of that increase in house-building which ever attends an increase in riches among the well-to-do classes, he made additions to the taxes on the materials for house-building, viz., the duties on the manufacture of crown and plate glass, and the duty on bricks, which was raised by an additional 1*s*. 6*d*. the 1,000 for ordinary bricks, with other rates for tiles, while a new tax was imposed on the rival materials for buildings, viz., slates, stone and marble, if carried coast-wise.

The loss from the repeal of two minor taxes, viz., that on gloves and mittens imposed in 1785, which had proved a failure, and that on the registration of births, deaths and marriages, imposed by the Coalition in 1783, which was acknowledged to have an injurious operation as regards the morals of the people, was recouped to the revenue by an enormous

¹ 33 Geo. III. c. 28.

² 5*d*. the gallon for home-made spirits, 8*d*. for rum, and 10*d*. for foreign brandy. 34 Geo. III. cc. 2, 3 & 4.

tax upon the legal profession, of 100*l.* on indentures of clerkship for attorneys in the metropolis, and 50*l.* for country practitioners, and an increase in the duty on paper.¹

Neither of these taxes passed into law without serious opposition from many quarters. But Pitt was now supreme in power. Many of the whig party now voted on his side; and in this year, that rupture of the whig connection which was the chief effect of the French Revolution on English politics, and the consolidation of the new Tory party, as it was termed, were complete. Several of the most eminent members of the whig party—the duke of Portland, earl Fitzwilliam, who had succeeded to the Rockingham estates, earl Spencer, William Windham and others, impressed with the enormities of the revolutionists, separated themselves from Fox, as Burke, by whose writings and action they were not a little influenced in taking this step, had separated himself from him in 1791; and some of them joined the ministry.²

In the next year Pitt was obliged to have recourse to the wine cask; a considerable addition was made to the duty, which had been reduced for the purpose of the commercial treaty with France—viz., a tunnage of 30*l.* for French, and 20*l.* for other wines. A third addition, of the same amount as before, was

1795.

¹ See as to glass, 34 Geo. III. c. 27; bricks, c. 15; slate, &c., c. 51; gloves and mittens, and births, &c., cc. 10 & 11; attorneys and paper, cc. 14 & 20.

² Portland taking the place of Dundas at the home office, in July, when the latter was appointed the new third *secretary of state for war*; Fitzwilliam, the post of president of the council; Spencer, eventually, the admiralty; while Windham became secretary at war.

made to the duties on the distillery and imported spirits. The enormous increase in the consumption of duty-paid tea, consequent upon the reduction of the duty by the Commutation Act, showed that this article could now bear an additional tax; and 7*l.* 10*s.* per cent. was added to the duty, raising it to 20 per cent. on the price of tea. At the same time the duties on coffee and cocoa-nuts were also increased.

Pitt had already imposed, in 1786, a tax upon hair-powder. The fashion of wearing wigs and HAIR-POWDER still prevailed, and he now added a tax upon the wearers, to be paid by the head of the family, calculating the probable yield at no less than 200,000*l.* This charge upon 'the curling honors of the head,' at the rate of a guinea, touched 'pig-tails,' and was, therefore, termed by the opponents of the minister, who ceased to wear the article taxed, the 'guinea-pig' tax.

A tax now imposed upon PROPERTY INSURED AGAINST SEA RISK, proved subsequently during the war, while insurances of ships could only be effected in this country, a most excellent contributory to the revenue.

The receipt tax of the Coalition was considerably increased, and additional duties were imposed upon several heads in the stamp list, including probates and letters of administration, the instruments by means of a stamp on which, a tax on the estates of deceased persons was collected.¹

¹ See as to wine, 35 Geo. III. c. 10; the distillery, c. 11; foreign spirits, c. 12; tea, c. 13; hair-powder, c. 49; sea policies, c. 63; receipts, c. 55; stamps, c. 30.

1796.

The new taxes for 1796 included a second 10 per cent. on the assessed taxes. The tax on pleasure horses was doubled. A new tax was imposed on horses used in industry, at the rate of 2*s.* a horse. The duty on tobacco was increased by 4*d.* the pound.¹ The spigot of taxation was again driven into the wine-cask. The addition was of the same amount as that in the year previous; and the expected success of it is marked by the size of the bowl which, in the caricature of the day, Pitt and Dundas, as Bacchus and Silenus, are represented as having drawn from the wine-cask. An additional duty was imposed upon British-made wines, or ‘sweets,’ as they were termed, the consumption of which was at that day considerable. The duty on hats was raised; and there was a proposal for an increase in the duty on printed goods, linen and calico. But the taxation of the year is more particularly remarkable for the new tax on collateral successions.

Pitt’s main object in taxation at this date was to reach property, and one of his projects had in view a considerable increase of revenue from an important tax on successions, to produce 250,000*l.* per annum. North had under consideration, in the war of American Independence, the possibility of imposing a tax similar to the Dutch tax on collateral successions, to which Adam Smith had directed attention in ‘The Wealth of Nations,’ but, unable to settle a plan for the purpose, had contented himself with imposing stamp duties upon any receipts given by legatees or

Successions.

¹ See as to taxes, 36 Geo. III. c. 14; tobacco, c. 13; horses, cc. 15, 16.

successors for legacies or shares of personal estate. This tax, subsequently increased by raising the duties, was ineffective, because easily and generally evaded. The legatees and successors refrained from giving receipts, and executors and administrators did not demand them. Pitt now proposed to tax the property of deceased persons in the hands of their representatives, their executors or administrators, through whose hands personal property must, by law, pass before reaching the legatees and successors, and matured a plan for introducing into our fiscal system a tax on collateral successions more nearly resembling the Dutch tax, and the *vicesima hereditatum et legatorum* of Augustus, from which that tax had been copied.

His plan, framed to include all COLLATERAL SUCCESSIONS to landed, as well as to personal or moveable, property, he originally intended to embody in a single Bill. Subsequently, altering his intention, he introduced into the House two Bills, one relating to the tax on collateral successions to personal property, the other, to successions to land. The first of these passed into law;¹ but the other, relating to land, having in a late stage passed by only the casting vote of the Speaker, was eventually withdrawn. And though subsequently on several occasions suggestions were made, in the house of commons and elsewhere, for the extension of the tax on successions to land, no serious attempt to remedy this inequality in taxation was made until the introduction of Gladstone's measure, which became the 'Succession Duty Act, 1853.'

¹ 36 Geo. III. c. 52, April 26, 1796.

The loss consequent upon the withdrawal was estimated at 140,000*l.* a year.

The expected yield of the foregoing taxes was:—

	£
Assessed taxes, second 10 per cent.	140,000
Pleasure horses, duties doubled	116,000
Horses kept for industry, 2 <i>s.</i> a horse	100,000
Tobacco, 4 <i>d.</i> additional	170,000
Collateral successions	250,000

An additional 180,000*l.* was expected from a reduction of bounty for exported refined sugar.

Pitt failed to obtain the assent of the House to the proposed increase for printed calicoes and linens, to produce 135,000*l.*; in consequence of which, later on in the year, he imposed a tax upon DOGS. Such a tax had frequently been suggested, but more particularly in 1790, as preferable to the increase in the malt duty then made towards the expenses of the Spanish armament. The tax now imposed was the result of a suggestion of Mr. Dent, or ‘Dog’ Dent, as he was termed, the member for Berkshire, who had introduced a Bill embodying a proposal for a general tax on dogs, with a view to prevent the multiplication of the animal. It was, however, charged only in respect of sporting dogs, or where more than one dog was kept.¹

The additional taxes for 1797 were proposed by Pitt in December 1796. The amount to be raised was 2,110,000*l.*, which included 140,000*l.*, representing the loss consequent upon the failure in the pre-

¹ See as to wine, 36 Geo. III. c. 123; dogs, 124; hats, 125.

ceding year to carry the tax on collateral successions to land. The most equitable principle in raising so large a sum would be, he observed, to render the objects as diffuse as possible.

In that view additions were made to existing taxes to produce the amounts following :—

	£
Assessed taxes, third 10 per cent.	290,000
Auctions, $2\frac{1}{2}d.$ in the £ for land, and $3d.$ for furniture, goods, &c.	40,000
Sugar, $2s. 6d.$ the cwt.	280,000
Spirits, fourth increase, the same in amount as on previous occasions ¹	510,000
Tea, second addition, 10 per cent.	240,000
Bricks, second addition, $1s.$ the thousand	36,000
Port duties, 10 per cent. on the produce of hemp, iron, and brimstone, and 5 per cent. on the produce of all other goods, except wine and coals coastwise	153,000
A regulation of stamps	30,000

The mileage for stage coaches was increased by an additional $1d.$

The second addition for sugar Pitt proposed with regret, because it would fall, in some degree, upon the lower classes of the people; and in the same view, the coarser sorts of tea under $2s. 6d.$ the lb. were, as forming the common beverage of the poorer classes, allowed to remain charged with 20 per cent. The considerable increase in revenue expected from the additional 10 per cent. on other sorts of tea was due to the successful operation of the commutation tax in breaking up the capital of the smuggler.

A new tax, such as had been suggested by sir

¹ Accompanied with an increase in the duty on the licenses for Scotch distillers, which was to be raised from 18*l.* to three times that amount.

Richard Hill in 1784, was imposed upon persons wearing watches or possessed of clocks, the expected yield being included under the head of assessed taxes, to which the new tax was an addendum. Clocks and watches.

Two new taxes proposed on this occasion Pitt was unable to carry into effect : one, on parcels sent by coach ; and the other, on inland navigations, as canals were termed. In 1782, North had proposed to tax the carriage of goods by canal. Since that date numerous canal and navigation Acts had been passed ; in 1793, no less than twenty-eight, and in 1794-96, forty-one ; and the proposal now made was for a tax on the proprietors of all canals or navigations paying over 5*l.* per cent. These taxes were estimated to produce respectively 60,000*l.* and 120,000*l.*¹

On the introduction of the last taxes suggested by Pitt before his famous Triple Assessment, he confessed himself a good deal at a loss, since there was no mode of taxation that he could propose which was not liable to objections of some kind. His desire was to make any new taxes fall as lightly as possible on the great sources of national prosperity and the lower orders of the people,² and he selected as the least objectionable, the stamp duties, which, though they were then more than double what they were in the American war, had not undergone any considerable increase for some April 26,
1797.

¹ See as to auctions, bricks, cocoa-nuts, spirits, and tea, 37 Geo. III. c. 14 ; sugar, brimstone, and the other port duties, c. 15 ; stills in Scotland, c. 17 ; stage-coaches, c. 16 ; clocks and watches, c. 108 ; stamps c. 19 ; assessed taxes, c. 69.

² Pitt's Speeches, iii. 125.

years. The stamp duties, he said, were a description of tax easily raised, widely diffused, which pressed little on any particular class, especially the lower orders of society, and produced a revenue safely and expeditiously collected at a small expense.¹ These duties, therefore, he proposed to raise to almost double on most descriptions of instruments, excepting only those that had been lately increased, the estimated addition to the revenue being 320,000*l*. Part of this measure, consisting of a tax on what he termed private transfers, as opposed to the transfer of property at public auction, by means of a duty upon the deed of conveyance of the property according to an ad valorem scale, he was unable to pass. Instead of the proposed tax on transfers he imposed a new fixed duty of 10*s*. upon all deeds, irrespective of length.²

Additional duties were also imposed in this year upon houses and servants, and 3*s*. additional upon agricultural and trade horses.³

June 1797. The position of this country was now alarming. Ireland was in a state of semi-rebellion. Hoche, with his *légion noire*, was expected. Our fleet was in mutiny at the Nore. The funds had fallen to 48, and the difficulty of procuring money for the service of the country under the old system of loans, rendered the question of raising the supplies within the year one for very serious consideration.

Already since the commencement of the war, the

¹ 37 Geo. III. c. 90. The rise in the stamp duties affected newspapers and almanacs and property insured against fire risk.

² 37 Geo. III. c. 111.

³ See as to inhabited houses, 37 Geo. III. c. 105; horses, c. 106; servants, c. 108.

duties on several of the most important articles of consumption in our fiscal list had been considerably increased: on wine, twice; on spirits, four times, to include the additional duties originally imposed for the Spanish armament; on tea, from 12·10 per cent. for all sorts, to 20 per cent. for the coarser sorts, and 30 for other teas. Twice had the duty on sugar been raised, and twice the duty on bricks; for tobacco, newspapers, advertisements, glass, paper, and hats there had been additions. The port duties generally had been increased by a percentage on the produce. The taxes termed the assessed taxes, three times raised in amount, included as new contributories persons wearing hair-powder, keeping dogs, wearing watches or using clocks. A tax had been imposed upon agricultural horses. The tax on stage-coaches had been increased; and that on property sold by auction. Another new tax touched all property insured from sea risk. Collateral successions to personal property had been specially taxed, while the landed interest had proved sufficiently powerful to defeat the plan for a similar tax on landed property. The stamp duties generally had been almost doubled.

The taxes on cotton-bleachers, shops, maid-servants, gloves and mittens, and the registration of births, deaths and marriages, Pitt had been compelled to repeal. And he had been unable to obtain the assent of the House to proposals for new taxes on coals at the pit, printed goods according to price, the conveyance of parcels by coach, inland navigation on canals, and private transfers of property.

Four considerable taxes on articles of necessity,

soap, candles, leather, and salt, had remained untouched, in accordance with the principle advocated by Adam Smith that, if retained, those taxes should be kept at the lowest possible rate. The tax on soap had received a considerable addition in North's last year of office. Pitt himself had repealed the additional $\frac{1}{2}d.$ on candles he had been obliged to impose in his first year of office. The increased importance of leather for industrial purposes formed an additional argument against any augmentation of the tax on that article. And the tax on salt, always one of the most unpopular of taxes, had been thrice raised in amount for the war of American Independence.

In these circumstances what was Pitt to do? He was compelled to have recourse to the expedient of a general tax upon persons possessed of property. Since the commencement of the war he had used the group of taxes under the commissioners of taxes, consisting of the taxes on householders and on establishments, as a quasi-property tax, raising them by 10 per cent. on three occasions, and had added to the group the taxes on dogs and clocks and watches. He now proposed to obtain the effect of a property tax by an increase in these taxes, and in his budget of November 4, 1797, introduced, with a speech which formed a splendid appeal to the patriotism of the nation, his scheme for the 'TRIPLE ASSESSMENT for 1798.'¹

The distinctive feature of the Assessed Taxes was this, that the taxpayer was charged *for the year* by

¹ Passed Jan. 12, 1798. 38 Geo. III. c. 16.

reference to a return he was required to make of his maximum establishment (that is to say, the greatest number of carriages, servants, horses, &c., kept by him at any time) *in the previous year*; and he was charged, by reference to this return, according to an ascending scale, which had the effect of increasing the tax for every subject of duty in the larger establishments. Pitt grounded the proposal he now made for ‘a general tax on persons possessed of property, commensurate as far as practicable with their means,’ on the basis of the taxes on houses and establishments as follows:—

Taking the taxable establishments as shown by the returns for the year last past, so as to avoid any chance of fraud from insufficient returns, he divided the taxpayers into two classes: 1. Those keeping a taxable establishment of carriages, men servants, or carriage and saddle horses; and, 2. Those not keeping any such establishment, but taxpayers in respect of their dwelling-houses to the window tax and that on inhabited houses, or in respect of dogs, or clocks and watches.

The taxpayers of the presumably richer class were charged by reference to the assessments for the previous year as follows:—

	Number of times
Under 25%, a triple assessment	3
25% and under 30%.	3½
30% „ „ 40%.	4
40% „ „ 50%.	4½
50% and upwards	5

the effect of this being that, although the tax was termed a ‘Triple Assessment,’ it ranged up to

a quintuple assessment for persons charged to the assessed taxes of the previous year 50*l.* or more!

The taxpayers of the second class were charged by a similar scale, which commenced with one-fourth where the assessment for last year was 1*l.* and up to 2*l.* From 2*l.* to 3*l.* the charge was one-half; and so on up to 25*l.*, when the scale became the same as that for the class first mentioned.

The Act for the Triple Assessment contained elaborate rules and regulations to reduce the tax to an income-tax of 10 per cent. for incomes over 200*l.*, and to a sum not exceeding a certain proportion of the income, for incomes of 60*l.*, or from that to 200*l.*; and allowed an exemption for incomes less, in the whole, than 60*l.*

While calling upon the richer classes for this unusual effort—

‘Yield thee, duke Smithson, and behold
The assessment thou must pay;
Dogs, horses, houses, coaches, clocks,
And servants in array’—

he increased the taxes on articles of general consumption, imposing another 5 per cent. on the price of tea sold at 2*s.* 6*d.* the pound or upwards, to raise the duty to 35 per cent., and doubling the duty on salt, raising it to 10*s.* the bushel, to the great astonishment (as represented in the caricatures of the day) of the Cook at finding ‘Billy Pitt in her Salt Box!’

The mercantile classes were further taxed by means of new duties imposed upon exports and imports, usually termed the CONVOY TAX:—Every

merchant vessel was required to sail with a convoy, viz., 'under the protection of such ship or ships as may be appointed for that purpose.' And in return for this protection to 'the increased and extensive commerce of these kingdoms' certain duties to be paid in respect of goods exported and imported, and on the tonnage of ships outwards and inwards, were granted until the signing of the preliminary articles of peace. The convoy tax was expected to produce no less than 1,500,000*l*.

Lastly, another new tax touched all persons using or wearing any ARMORIAL ENSIGNS blazoned on the carriage, worn on the person, or used by means of the seals and signet ring of the taxpayer.

The idea of selling the land tax had long been in contemplation. Pitt now rendered the tax perpetual, subject to redemption and purchase,¹ and thus put it aside. Not far short of quarter of the charge was redeemed in 1798-9.

The yield of the triple assessment was estimated by Pitt, after the adoption of modifications which the measure underwent after it was first proposed, at 4,500,000*l*. To anyone acquainted with the difficulties that attend the assessment and collection of taxes, it will be obvious that the system of the assessed taxes was incapable of bearing such a strain as that now put upon it. But 'shameful evasion or rather scandalous frauds' were the terms used by Pitt in reference to the means by which the effects

¹ See as to salt, 38 Geo. III. cc. 43 & 89; tea, c. 42; the convoy tax c. 76; armorial bearings, c. 53; land tax, c. 60, passed June 21, 1798.

of the measure were counteracted.¹ The produce fell short of the expected yield; but 'the meanness which shrunk from fair and equal contribution was compensated to the public by the voluntary exertions of patriotism;' for more than 2,000,000*l.* was subscribed under a provision in the Act enabling persons who were not charged up to a tenth of their income to pay additional contributions into the exchequer.

Adhering to the principle of raising a considerable part of the supplies within the year, Pitt now acknowledged the necessity of requiring a more vigorous application of that principle, of obtaining a more specific statement of income, applying a more equal scale of contribution, and obtaining a more extensive effect. For this purpose he proposed that 'the presumption founded upon the assessed taxes should be laid aside, and that a general tax should be imposed upon all the leading branches of income.'

According to his calculation, the whole sum of annual rental and profits, after making deductions upon a very liberal scale, amounted to 102,000,000*l.* under the following heads:—

	£
The land rental, after deducting one-fifth	20,000,000
The tenants' rental of land, deducting two-thirds of the rack rent	6,000,000
The amount of tithes, deducting one-fifth	4,000,000
The produce of mines, canal navigation, &c. deducting one-fifth	3,000,000
The rental of houses, deducting one-fifth	5,000,000
The profits of professions	2,000,000
The rental of Scotland, taking it at one-eighth of that of England	5,000,000

¹ Pitt's Speeches, vol. iii. p. 372.

The income of persons resident in Great Britain, drawn from possessions beyond the seas	5,000,000
The amount of the annuities from the public funds, after deducting one-fifth for exemptions and modifications	12,000,000
The profits on the capital employed in our foreign commerce	12,000,000
The profits on the capital employed in domestic trade, and the profits of skill and industry	28,000,000
In all	<u>£102,000,000</u>

Upon this sum a tax of 10 per cent. was likely to produce 10,000,000*l.* a year, and that was the sum which was likely to result from the measure he now introduced, and at which he assumed it.

The income tax was introduced by Pitt in one of his grandest speeches; and in the result, after considerable modifications, was imposed as follows:—

Upon absentees, that is, British subjects not resident in Great Britain, in respect of all income arising from property in Great Britain; and upon residents in Great Britain, in respect of all income arising from property in Great Britain or elsewhere, and all income from any profession, office, stipend, pension, employment, trade or vocation. A general statement of income was required from the taxpayers in a form given in the Act. An abatement of tax was allowed in respect of children, similar to that which had prevailed, in practice, under the old system of subsidies. And the administration of the tax was copied from the Land Tax Act. The full charge, 10 per cent., applied only to incomes

of 200*l.* and upwards. Between 200*l.* and 60*l.* of income there were various rates of charge; and incomes under 60*l.* were not charged.

The provisions necessary for the regulation of the system of direct taxation thus introduced were embodied in an Act containing 124 lengthy sections, with several schedules. Great care had been taken in drafting the Bill; but the government, deeming it not improbable that the legislation on the subject might appear somewhat formidable, caused it to be abstracted and explained in 'A PLAIN, SHORT, AND EASY DESCRIPTION OF THE DIFFERENT CLAUSES OF THE INCOME TAX, SO AS TO RENDER IT FAMILIAR TO THE MEANEST CAPACITY,' subsequently published. This forms the subject of one of Gillray's caricatures, where John Bull is represented at his studies, attended by his guardian angel, with a harp in hand, who sings—

Cease, rude Boreas, blustering railer;
Trust thy fortune's care to me.

This tax Pitt estimated would produce no less than 7,500,000*l.* a year.

318,000*l.* more was to be derived from a tax on small notes under 40*s.*, to produce 42,000*l.*, and alterations in the bounty on sugar and the drawback on coffee, on exportation.

1800.

A disappointment on the income tax of nearly a million and a half, compelled Pitt, in 1800, to make a fifth addition to the duty on spirits, raising it to 5*s.* 4*d.* the gallon, which exceeded the rate chargeable at the end of the war of American Independence. The yield was now about a million a year. In the

same year a fourth addition, of 5 per cent., on tea, except the coarser sorts, raised the duty to 40 per cent.¹

In Pitt’s last budget before leaving office, his seventeenth, and the only one, as George Rose writes, to which there was no opposition, additions were made for articles of consumption to yield the amounts following :—

1801

Tea, fifth addition, 10 per cent. on the better	£
sorts, raising the duty to 50 per cent. ²	300,000
Sugar, timber, raisins, pepper, and exported	
lead, additional duties	359,000
Paper, existing rates doubled	135,000

It may be interesting to state, as regards tea, that the import, which before the Commutation Act had been about six millions of lbs., had now risen to twenty-two millions ; and as regards paper, that the yield had risen, in consequence of recent improvements in the manufacture, from 83,000*l.* for Great Britain in 1793, to 165,000*l.* for England alone in 1800.

In direct taxes, an addition for horses included an addition in respect of agricultural horses as well as an addition in respect of saddle and carriage horses ; while an increase in the stamp duties affected bills of exchange, insurances of property from sea risk, and deeds.³

The budget was introduced while Addington was forming an administration ; for Pitt had felt himself

¹ Spirits and tea, 40 Geo. III. c. 23.

² Cheap teas were still charged only 20 per cent.

³ See as to paper and tea, 41 Geo. III. c. 8 ; horses, c. 9 ; stamps, c. 10 : timber, sugar, raisins and pepper, c. 28.

compelled to resign office, in consequence of his inability to introduce a measure for the removal of the Catholic disabilities, which was in his opinion involved in the Act of Union by which the kingdoms of Great Britain and Ireland had been consolidated in the previous year. Grenville, Dundas, Wyndham, and Spencer retired with him.

PART II.

FROM THE PEACE OF AMIENS TO WATERLOO. 1802-1815.

The peace of Amiens. Repeal of the income tax. Enormous increase in the taxes on beer. Increase in the assessed taxes. New duty on exports and imports in lieu of the convoy tax. Recommencement of the war. The income tax re-imposed at 5 per cent. Additional 2s. on malt, and additions for wine, spirits, tea, sugar, the port duties generally, cotton, exports and imports, and tonnage. Addington's last budget. Increase in the stamp duties. Pitt returns to office. The income tax raised to 6·10 per cent.; the salt duty, to 15s. Austerlitz. Death of Pitt. The administration of All the Talents. The stream from the 'Petty' fountain. The income tax raised to 10 per cent. Increase for tea, sugar, and tobacco. Another general rise in the port duties. Proposals for taxes on pig iron and private brewing. Another 10 per cent. on the assessed taxes. Death of Fox. The Portland administration. Spencer Perceval's consolidations of the assessed taxes, the stamp duties, and the port duties. The Perceval administration. Assassination of Perceval. The Liverpool administration. Vansittart's first budget. Increase for leather, glass, and tobacco, establishments, and agricultural horses. In 1813, further increase on tobacco. A general rise in the port duties. Attempt to tax cotton. The first peace of Paris, 1814. The last taxes for the Great War.

In the new administration, which was announced in March, after the recovery of the king from his illness, Addington held the posts of first lord of the treasury and chancellor of the exchequer in succession to Pitt.¹ Pitt's right-hand man at the treasury, George Rose, now resigned the post of secretary he had held for seventeen years. His colleague, Long,

¹ The duke of Portland, taking the post of president of the council, was succeeded at the home office by lord Pelham; lord Hawkesbury, subsequently earl of Liverpool, succeeded lord Grenville at the foreign office; and lord Hobart, Dundas, as the third *secretary, for war and the colonies*. The business of the colonies, which had been carried on at the home office, was in this year, 1801, transferred to the secretary for war.

subsequently lord Farnborough, retired with him; and they were succeeded by Hiley Addington, brother of the prime minister, and Vansittart.

1802.

After the peace of Amiens, in May 1802, Addington repealed the income tax, stating that he considered it a tax to be reserved for war purposes. In order to partly fill the void in the exchequer caused by this repeal, which cost 5,600,000*l.*, the taxes falling upon beer were increased to produce an additional 2,000,000*l.*¹ An augmentation of the assessed taxes would produce 1,000,000*l.*, and a new tax on imports and exports, in substitution for the convoy tax, another 1,000,000*l.*²

1803.

When the war recommenced, Addington reimposed the income tax, but at only 5 per cent., estimated to yield 4,500,000*l.* And, as the principal cause of the unpopularity of the tax had been the necessity of giving a general declaration of income from all sources, the tax was now split up and parcelled out in schedules, so as to form, as regards the returns required, so many separate taxes. Schedule A contained the tax on owners of land, including houses, in respect of the ownership; schedule B, the tax on farmers in respect of land and houses attached to farms, and included the additional benefit to persons in occupation of lands of their own; schedule C, the tax on dividends and annuities

¹ The duty for beer by 2*s.* the barrel, malt by 1*s.* 0 $\frac{1}{4}$ *d.* the bushel, and hops by 1 $\frac{1}{4}$ *d.* and a fraction, to make it 3*d.* the pound.

² See, as to window tax and inhabited houses, 42 Geo. III. c. 34; servants, carriages, horses and dogs, c. 37; income tax, c. 42; beer, malt and hops, c. 38; customs, c. 43.

from public revenue; schedule D, the tax on income derived by residents in Great Britain from property or business abroad, and the tax on professions, trades, employments, or callings exercised in Great Britain; while schedule E contained the charge on public offices or employments of profit, including the army, navy, and civil service. Incomes under 60*l.* were exempted, and an abatement of tax was allowed for incomes between 60*l.* and 150*l.*¹

At the same time temporary or war duties were imposed of 18*l.* the tun upon French, and 12*l.* the tun upon other wine, and upon other articles of consumption, estimated to produce the following amounts:—

	£
Malt, 2 <i>s.</i> the bushel	2,700,000
Spirits, 50 per cent. ²	1,500,000
Tea, 45 per cent. on all sorts ³	1,300,000
Sugar, 20 per cent., and 12 <i>l.</i> 10 <i>s.</i> per cent. on the port duties generally, except tea, wine, deals and fir timber	1,300,000
Cotton wool, 1 <i>d.</i> the lb.	150,000
British goods exported to any part of Europe, 1 per cent. on value; to any other part of the world 3 per cent.	460,000
Additional tonnage on vessels, inwards and outwards ⁴	150,000

Addington's last budget, the budget of 1804, included another (the fifth) addition to the duty on

¹ 43 Geo. III. c. 122. Aug. 11, 1803.

² Raising the duty on home-made spirits, to 8*s.* and a fraction, with equivalent additions for rum and brandy.

³ Raising the duty to 95 per cent. for all except the coarser sorts, and for these, to 65 per cent.

⁴ See as to malt, wine, spirits, and tea, 43 Geo. III. c. 81; sugar, cotton, customs, and tonnage duties, c. 70; taxes, c. 161.

1804.

wine; an additional 12*l.* 10*s.* per cent. on the produce of the duties on sugar, and another 12*l.* 10*s.* per cent. on *the produce of the port duties generally*, except tea, wine, deals and fir timber, and cotton wool, but including coals carried coastwise. But his principal plan for increasing the taxes was one for a general consolidation of the stamp duties, involving the introduction of a tax on transfers of property according to value, and estimated to yield 800,000*l.* This Pitt subsequently took up, but was unable to carry through the House in its integrity.¹

The duties on malt, wine, spirits and tea, the two increases in the port duties of 12*l.* 10*s.* and 12*l.* 10*s.*, *i.e.* 25*l.* per cent., the other port duties on sugar, cotton, &c., and the tonnage duties, granted in 1803 and 1804, were temporary duties granted either until the ratification of a definite treaty of peace or until 6 or 12 months after the peace. But these port duties, it may be well to add, though re-enacted in the tariff of 1809 as temporary duties, were, after the peace, made perpetual. The same course was taken as regards the other duties above mentioned, which were made perpetual, with the exception of the duty on malt.

In May, Pitt was recalled to office by the general voice of the nation, who regarded the hand of Addington as too weak to hold the helm of state in perilous times; but Grenville and his party, who had

¹ 11*l.* 18*s.* 6*d.* the tun on French, and 7*l.* 19*s.* the tun on other wine, by 44 Geo. III. c. 49; customs, c. 53; stamp consolidation, c. 98. Excise consolidation of the same year, c. 69. Taxes consolidation, c. 121.

gradually approached the whig party, now refused office unless Fox was admitted to the cabinet. The objection of the king to Fox prevented this arrangement, and therefore Pitt resumed office without the Grenvilles, and with a government upon a tory basis.¹

Pitt's last budget, for 1805, included additions to the income tax, which he raised to $6\frac{1}{2}$ per cent., the legacy duties, which he extended to direct successions, the duty on horses, and the auction duties; additional duties on several articles in the tariff; a fourth rise of 2l. 10s. per cent. on the *produce of the port duties generally*; and lastly, additions for bricks, glass, coffee, cider, vinegar, and salt. This tax, raised in 1798 to 10s. the bushel, had been condemned by a committee of the house of commons, but as a last resource Pitt was compelled to increase the rate to 15s.²

1805.

In the autumn, Napoleon, breaking up the camp at Boulogne, swept across France and over the Rhine at Strasburg, cut off Mack from the Austrian forces, shut him up in Ulm, and compelled him to surrender with 40,000 men. After his entry into Vienna, his generals obtained, by stratagem, the command of the bridge over the Danube, and passing on to Austerlitz,

¹ Hawkesbury went from the foreign to the home office, and was succeeded in his previous post by lord Harrowby; lord Camden took the secretaryship for war and the colonies; and Melville, the admiralty. Castlereagh became president of the board of control: and Canning, Sturges Bourne, Huskisson, and George Rose returned to office, holding subordinate posts.

² See as to income tax, 45 Geo. III. c. 15; horses, c. 13; salt, c. 14; legacies, c. 28; customs, c. 29; auctions, bricks, coffee, cider, glass, and vinegar, c. 30.

Death of
Pitt.

he totally defeated, December 2, the Austrian and Russian armies in the battle known as that of 'the Three Emperors.' The victory of Austerlitz caused the death of Pitt. 'Roll up the map of Europe,' he said on receiving the news; 'it will not be wanted again for a long time.' And, worn out by hard work and anxiety, an old man at the age of 47, he died in January 1806, a victim of the war, 'killed by the enemy as much as Nelson,' writes Wilberforce in his Diary.

After the death of Pitt, the plan of a strong administration on a broad basis he had so earnestly desired but had been prevented from carrying into effect in consequence of the aversion of the king to Fox, was adopted in the formation of the coalition ministry known as 'All the Talents,' and depicted as the 'Broad Bottoms,' in an age which delighted in vulgar caricature. In this administration lord Grenville was prime minister, and Fox took the foreign office, the post he thought would best suit his views; lord Spencer, William Wyndham, Mr. Grey, subsequently viscount Howick, and Sheridan were included; and lord Henry Petty, subsequently lord Lansdowne, was chancellor of the exchequer.

The continuance of war prevented the execution of the promises to reduce taxation that had been made by Fox and his party, and he and lord Henry soon appeared in the caricatures of the day as 'the new tax-gatherers,' with a copious stream of new taxes flowing from the 'Petty' fountain.

1806.

The new administration, adhering to Pitt's policy of raising by means of taxes *as great as possible a part of*

the supplies necessary for the year, increased the rate of the income tax to 10 per cent. This lord Henry Petty termed the 'natural limit of the tax,' and he stated his reason for raising the rate at once to the natural limit in lieu of increasing it gradually, to be a desire to prevent the supposition that this tax was a fund to be drawn upon to an indefinite extent. At the same time, the exemption allowed for small incomes was reduced from 60*l.* to 50*l.* and limited to incomes derived from labour, viz., from professions, trades and offices, as Addington had originally proposed it should be, in 1804. As thus imposed, the tax produced, in 1806, about 12,800,000*l.*

An additional million of revenue was raised by the increased taxation of articles of consumption:—This touched tea, sugar, tobacco, and the port duties generally. Hitherto, on several occasions when additions had been made to the tax on tea, the cheaper teas, under 2*s.* 6*d.* the lb., had not been charged. On these teas the duty stood at 56 per cent.; that on the more expensive sorts, at 96. An addition to the former now raised the duty to 96 per cent. on the price for all teas. Sugar was charged with an additional 15 per cent. on the produce of the duties; and tobacco, with an additional 6*d.* the lb. On the produce of the port duties generally, this, the fifth general rise in the war, was 8*l.* 6*s.* 8*d.* per cent. All articles charged 'inwards,' 'outwards,' or 'coastwise' were included; except cotton, tobacco, wine, deals, and fir timber from Norway.¹

¹ There were also some fiscal alterations of minor importance, more particularly new duties on appraisements and on annual licenses for

Two important proposals for new taxes—one, a project for a tax on pig iron; the other, a suggestion for the imposition of the frequently contemplated tax on private brewing—encountered serious opposition in the House, and eventually were dropped, that on private brewing more particularly on the recommendation of George Rose. In lieu of these, a fourth 10 per cent. additional was imposed upon the produce of the assessed taxes, coupled, however, with a provision for an allowance to be made to payers of assessed taxes having large families.¹

In September 1806, Fox was laid by the side of Pitt in ‘the Great Temple of Silence and Reconciliation’ at Westminster. His death led to changes in, and eventually, in March 1807, to the resignation of, ‘All the Talents,’ the nearest approach to a whig ministry in power from 1783 to 1830.

1807. In the administration now formed under the duke of Portland, with Hawkesbury at the home, and Canning at the foreign, office, and Castlereagh as secretary for war and the colonies, Spencer Perceval, a younger son of the earl of Egmont, who held the post of chancellor of the exchequer, was selected to lead in the house of commons.² He had been attorney-
- 1808.

appraisers. See as to income tax, 46 Geo. III. c. 65; tobacco, c. 39; tea, c. 38; sugar and other port duties, c. 42; appraisements, c. 43. The duties on tobacco were war duties, to continue until twelve months after a definitive treaty of peace. The port duties, also war duties, were included in the consolidation in 1809.

¹ 46 Geo. III. c. 78, duties; allowance, c. 84.

² In 1807, an additional duty of 2s. 6d. the gallon was imposed on foreign brandy as a temporary or war duty, until twelve months after a treaty of peace. 47 Geo. III. sess. 1, c. 27.

general from 1802 to 1806 ; and the principal increase in taxation effected by him consisted in 'consolidations' of duties as they were termed—a consolidation or new arrangement of the assessed taxes ; a consolidation of the stamp duties, involving the application of an ad valorem scale of charge to conveyances, as suggested by Pitt, and an increase for bankers' notes and bankers' licenses ; and, in 1809, a consolidation of the port duties which, though simplified and consolidated in 1803,¹ had since then, in consequence of grants of additional duties and new legislation on the subject, again become complicated.¹ From these the following amounts were expected:—

	£
Consolidation of assessed taxes . . .	125,000
„ stamp duties . . .	200,000
„ port duties . . .	105,000

In 1809 a considerable increase was also made in the duties on spread window or broad glass.²

In the autumn the Portland administration was broken up in consequence of the embarrassment caused to the duke by the difficulties between Canning and Castlereagh, which led to his resignation, though, in consequence of his declining health, this could not long have been deferred.³ The question now arose whether his successor should be of the Lords, as

¹ Taxes consolidation, 48 Geo. III. c. 55 ; stamps, c. 149 ; customs, 49 Geo. III. c. 98. By this Act the old duty of butlerage was to cease from July 5, 1809. See s. 36. In the Act the duties were arranged in two columns, the first containing the permanent duties, the other the temporary or war duties ; and it may be well at once to add that these war duties were, after the peace of Paris, continued and subsequently made perpetual.

² 49 Geo. III. c. 63.

³ The duke of Portland died on Oct. 29.

desired by Spencer Perceval, or of the Commons, as desired by Canning with a view to his own elevation to the supreme post. The resignation of Canning, in October, after his duel with Castlereagh, solved this difficulty, and cleared the way for a rearrangement of the ministry. Something that seemed to be negotiation with lords Grenville and Grey took place; but eventually Spencer Perceval became, in December, prime minister in an administration which was but the old Portland administration without its nominal head, and with the marquis Wellesley in lieu of Canning at the foreign office, to support his brother in the Peninsular war.¹

Eventually Spencer Perceval continued to hold, with the post of first lord, that of chancellor of the exchequer. George Rose had declined it on account of his advanced age. The following interesting note relating to suggestions for taxes is attached to a memorandum of the state of the finances of the country made by him on receiving the offer of the post.²

Mr. Perceval has seen a paper of Mr. Pitt's:—

Husbandry horses	150,000	Overstated
Tobacco	325,000	War tax, new
Cotton, 1 <i>d.</i> per lb.	230,000	do.
Coals, 1 <i>s.</i> at the pit	500,000	Tried and failed
Candles	200,000	Impracticable
Hides	80,000	do.
Private brewing	500,000	Unproductive
Broadcloth	500,000	

If from this list we omit the headings relating to

¹ Mr. Richard Ryder was at the home office in the place of Hawkesbury, who took the post vacated by Castlereagh.

² Diary of the right hon. George Rose, ii. 416.

coals and candles, which are marked 'tried and failed' and 'impracticable,' and broadcloth, we have, in the remaining suggestions it contains, hints for the most important additions to taxation, under particular as opposed to general heads, proposed subsequently in the war.

In the next year, however, the course of the im- 1810-11.
position of new taxes was, by general consent, suspended. The effect of Napoleon's Continental System of blockade and our retaliatory Orders in Council had been to close most of the European ports and destroy commerce. There was a bad harvest; and the price of wheat went up to 116s. the quarter. Employment was sadly diminished; and this year and the two subsequent years formed a time of much depression and misery. The sole addition to taxation in 1811 was an addition for spirits. Rum, the colonial spirit, was not touched; but the duty on brandy and other foreign spirits was increased by 12·10 per cent., and that on the distillery, to an enormous charge, equivalent to 10s. 2d. the imperial gallon.

A proposal for a new tax on cotton from America, based upon a consideration of the enormous increase in the amount imported of late years, encountered such determined resistance from Peel and Baring that it was withdrawn. It is interesting to conjecture that it may have been suggested to the mind of the minister by Pitt's memorandum; but that he had other advisers is evident from the statement he made on the subject when proposing the repeal of Pitt's tax upon hats, in lieu of which the new tax on cotton was

suggested. This tax was to be repealed as having proved impracticable and unproductive.¹ Pitt's tax on gloves and mittens had been given up for the same reason. Spencer Perceval now expressed a hope that 'when it should be generally known that the taxes on hats and gloves were given up as impracticable and unproductive, the intelligence would not be thrown away upon those gentlemen who, in their anxiety to assist the chancellor of the exchequer in discovering new objects of taxation, honoured him with their communications. There was not an article of dress—boots, shoes, leather breeches, &c.—not an article in a house—locks, keys, bells, &c.—which had not been frequently recommended, no doubt with the best of motives, as objects of taxation. If the fact of giving up this tax should have the effect of putting a stop to communications of that description it would save the treasury much inconvenience.'²

1812. The Perceval administration, which had continued in power under the Regent, had experienced rough handling in the Commons on the questions relating to the Convention of Cintra and the unfortunate Walcheren expedition, and required some addition of strength. In 1812, when the regent became, practically, king, his former friends of the whig party had expectations of promotion; but the offers which reached lords Grenville and Grey, through the duke of York, were not such as they could accept; and now Wellesley, disappointed in the hope he had en-

¹ It produced about 30,000*l*.

² Ann. Reg. 1811, pp. 65, 70. See as to spirits, 51 Geo. III. c. 50, and as to hats, c. 70.

tertained that events would place him in the supreme post with his friend Canning in office, resigned the post subordinate to Spencer Perceval he disdained any longer to hold. Castlereagh, who succeeded him, remained at the foreign office until his death in 1822.

Spencer Perceval had only received his new lease of power from the regent a few months, and had prepared a budget to meet the increased taxation necessary for the continuation of the war, with vigour, in Spain, when he was assassinated, in May. The cabinet, considering themselves unable to carry on the government under Hawkesbury, now earl of Liverpool, without some reinforcement, entered into negotiations with Wellesley. But Wellesley and Canning were inseparable; and Canning, though reconciled to Castlereagh, was not, at the time, willing to accept office with him. In the result the administration was continued under Liverpool,¹ with Castlereagh to lead in the Commons, and Vansittart as the new chancellor of the exchequer.

Vansittart's first budget was, in effect, the budget of Spencer Perceval; having only a short time to prepare a plan, he adopted, in the main, that of his predecessor in office. Its principal features consisted in an increase in the duties on leather, the manufacture of which for home consumption and for exportation had considerably increased of late years; an increase on glass; 2*d.* the pound additional on

¹ With earl Bathurst as successor to him in the post of secretary for war and the colonies. Mr. Richard Ryder resigned the home office in favour of lord Sidmouth (Addington).

tobacco: and a repeal of the bounty on exported printed goods, which had grown from a small charge to a great amount, and was now unnecessary for the encouragement of the export trade.

Among the proposals in Spencer Perceval's plan was one for a tax on private brewing establishments. This Vansittart did not adopt. In lieu thereof he proposed additions for establishments consisting of male servants, carriages, horses and dogs, game certificates, and agricultural and trade horses. These would produce the amounts following:—

	£
Leather	325,000
Glass	328,000
Tobacco, additional 2 <i>d.</i>	107,000
Printed goods, repeal of bounty	308,000
Establishments, game and horses	515,000
In all	1,583,000

The budget proposals were approved by Huskisson, who said he was decidedly of opinion that a more judicious selection of new taxes could not have been made. But strong objections were raised, by Western, to the increase in the tax on agricultural horses; while the additional tax on leather, opposed by Brougham, on the ground of his objection to the principle of the tax, after passing in the Commons, formed the subject of a division in the house of lords. Eventually all Vansittart's proposals were carried into effect,¹ with the exception of a proposed tax on property bought in at auctions, in substitution for

¹ See as to glass, leather, and tobacco, 52 Geo. III. c. 94; bounties, . 96; servants, carriages, horses, dogs, and game certificates, c. 93.

which, in 1813, another addition of 2*d.* the pound was made to the duty on tobacco, to produce the same amount, viz., 100,000*l.* 1813.

But the special feature in the taxation of this year was another, the sixth, general rise in the port duties. The last considerable general increase had been made by Addington, in 1804; and in 1805 and 1806 there had been smaller increases. The addition now made, as a temporary or war tax, was no less than 25 per cent. on the produce of the duties. It affected all articles subject to duty except tea, sugar, raw silk, wine and cotton wool, and was estimated to produce from 850,000*l.* to 900,000*l.*

Further duties were imposed upon French wines, and 66*l.* 13*s.* 4*d.* per cent. additional upon all other French goods. A second proposal for a tax on cotton from America proved as unsuccessful as that of Spencer Perceval had proved in 1811, and was abandoned by Vansittart in consequence of the determined opposition of Baring and other influential members of the House.¹

In the next year Napoleon, who had been weakened by losses in the campaign against Russia which had practically destroyed the Great Army, proved unable to resist the advance of the Allies upon Paris, which they entered in March. His abdication, and retirement to Elba, were followed by the restoration of the monarchy and the peace of Paris; and as the war with the United States, which had arisen in con- 1814.

¹ See as to customs, 53 Geo. III. c. 33; tobacco and French wines, c. 34.

sequence of our Orders in Council, was subsequently ended by the treaty of Ghent, there appeared to be a fair prospect of a cessation of the long drain upon our resources, which had continued almost without intermission since 1792. The temporary or war duties were indeed continued, but we repealed the special percentage on French goods imposed in the previous year, and no new taxes were imposed.

1815.

The next year proved as expensive to us as any in the war. Questions that arose between the Allies, at the Congress of Vienna, seemed to Napoleon to afford a chance for a renewal of the contest with success; and his escape from Elba, followed by the flight of Louis XVIII. into Belgium, placed him in a position to continue the struggle through the famous 'Hundred Days,' which formed the closing scene in the Great War.

The last taxes imposed in the Great War touched tobacco, so often before enlisted as an additional contributory; a great variety of manufacturers, traders, dealers, and retailers of exciseable goods, known as 'excise traders,' and as such required, by the existing law, to take out annual licenses—brewers, maltsters, dealers in and retailers of excisable liquors of various sorts, manufacturers of tobacco, makers of soap, candles, glass, and so on; and the following:—

Legacies and successions to personal estate.

Property insured from fire or sea risk.

Stage coaches.

Articles of Consumption.

Gold and silver plate.

Newspapers

Advertisements in newspapers.

Almanacs.

Instruments liable to Stamp Duties.

Bills and notes.

Law proceedings.

Receipts.

Deeds and instruments.

The additions for tobacco and excise traders took effect from the 18th of February, and were expected to yield 600,000*l.* The other additional taxes of the year were estimated to yield, with an addition for the postage of letters, no less than 1,200,000*l.*; but as they did not come into force until September, no additional profit was derived from the coaches that ‘flashed along the highway’ the joyful tidings in June, or from the chronicles of ‘public news, intelligence, or occurrences printed, dispersed and made public in Great Britain,’ as newspapers were legally defined, which spread the welcome news of the final defeat of Napoleon on the plains of Waterloo.¹

¹ See as to tobacco and excise licenses, 55 Geo. III. c. 30; stamps consolidation, including probate and legacy and property insured against fire or sea risk, c. 184; advertisements, almanacs, newspapers, plate, and stage-coaches, c. 185.



BOOK III.

TAXATION IN THE ZENITH.

1815-1842.

CHAPTER I.

TAXATION IN 1815.

CHAPTER II.

FROM THE REPEAL OF THE INCOME TAX TO THE
ABANDONMENT OF THE SINKING FUND, 1816-29.

CHAPTER III.

FROM THE ABANDONMENT OF THE SINKING FUND TO
THE REIMPOSITION OF THE INCOME TAX, 1829-42.



CHAPTER I.

TAXATION IN 1815.

Population, national debt and revenue. Sources of revenue. 1. Direct taxes. 2. Taxes on articles of consumption. 3. Stamp duties. Summary. Sydney Smith on taxes due to wars. Portrait of the 'truly free Englishman.' List of Failures in taxes.

IN 1815, when taxation in this country reached the zenith at the conclusion of the great war with France, the population of the United Kingdom, if we allow rather more than eleven millions for England, two for Scotland, and six for Ireland, numbered between nineteen and twenty millions. The national debt amounted to about eight hundred and sixty millions, which, if we take the population at twenty millions, would be 43*l.* per head; and the annual charge of the debt was about thirty-two millions.

Our revenue from taxes, raised in amount from 17 millions before the war to about 68 $\frac{1}{4}$ millions for Great Britain, formed, together with 6 $\frac{1}{4}$ millions from Ireland, a total of 74 $\frac{1}{2}$ millions for the United Kingdom. The revenue in Great Britain was derived from the following sources:—

I.—DIRECT TAXES.

1. The old land tax, the 'annual land' of former times, rendered perpetual by Pitt, now formed, in effect, an imperial rent-charge on the different districts

charged in the Act of 1798, within which the tax was redeemable by the taxpayers. Originally the amount of the land tax had been about 2 millions; the unredeemed portion was about 1,196,000*l*.

2. The two taxes on houses—viz., the window tax and North's tax on inhabited houses, and the taxes on establishments, consisting of Pelham's tax on carriages, North's, on men servants, and Pitt's taxes on saddle and carriage horses, race-horses and dogs, and the cognate taxes for hair-powder and armorial bearings, formed a group of taxes on persons by reference to their expenditure. These had been raised by additional percentages on the whole group and additions to the particular taxes separately, to excessive rates. The yield was about 6½ millions.

3. The income tax, at 10 per cent., 2*s*. in the pound, produced for every penny 608,000*l*., or in the whole, 14,600,000*l*.

4. The taxes on property on its devolution on death—the probate and legacy duties, touched only personal property as opposed to land, Pitt having failed in his attempt to obtain the sanction of the legislature to an extension of the tax to successions to land. The yield was about 1,297,000*l*.

5. The tax on property insured against risk from fire, originally imposed by North in the war of American Independence, and that on property insured against sea risk, imposed by Pitt in the late war, raised to very high rates, produced, the former more than 518,000*l*., and the latter over 400,000*l*.; in all about 918,000*l*.

6. The tax on property sold at public auction, first imposed by North, produced about 284,000*l*.

7. Of the various taxes on persons providing the means of locomotion for the public—in the metropolis by hackney carriages, and in Great Britain in stage coaches or with post-horses, that on hackney coaches produced 29,000*l*.; the coach business, recently additionally taxed by Vansittart, 223,608*l*.; and post-horses, about 219,000*l*.; giving a total from these taxes of about 471,608*l*.

Two taxes, of 1*s*. and 6*d*. in the £ on salaries and pensions, produced 25,844*l*. Many trades, businesses, and professions were liable to taxes imposed upon some act necessary before beginning to practise, or upon an annual license required for the trade, business, or profession. Thus, a doctor paid 25*l*. on his admission as a fellow of the college of physicians, and a barrister, 25*l*. on his admission to an inn of court, and 50*l*. on his call to the bar. Physicians and barristers were not required to take out any annual license; but an attorney, in addition to 120*l*. on his articles of clerkship, and 25*l*. on his admission to practise, was also subjected to an annual license for the exercise of his profession, costing 12*l*., and a similar amount was required annually from every conveyancer or special pleader below the bar—a sum 2*l*. in excess of the 10*l*. payable in 1804, which had proved sufficient to deter Campbell from commencing in that year the career which eventually placed him upon the woolsack. Annual licenses were also required for bankers who issued notes,

chargeable with 30*l.*, and for pawnbrokers, appraisers, sellers of gold and silver plate, and hawkers and pedlars, the licenses involving payments varying in amount. The yield of these special taxes was not, however, in the whole, considerable; while the duties charged on a great variety of annual licenses for traders in excisable commodities, such as dealers in and retailers of excisable liquors — beer, wine, sweets, and spirits, makers of candles, paper, soap, &c., &c., may be regarded as, in effect, additions to the duties on the articles excised.

8. The yield of the tonnage on shipping was: outwards, 72,234*l.*; inwards, 99,417*l.* Total, 171,651*l.*

Such were the principal direct taxes. The yield, in the whole, is little less than 25½ millions. We derived that amount and half as much again, viz., 38 millions, from—

II.—TAXES ON ARTICLES OF CONSUMPTION.¹

Eatables. The principal taxes on eatables were those on salt, sugar, raisins, currants, pepper, and vinegar.

Salt. The duty on salt, which Pitt had been compelled under pressure of the war to raise, first to 10*s.*, and lastly to the excessive rate of 15*s.* the bushel, produced at that rate 1,616,124*l.*, and the import duties on the article, 547*l.*; forming a total of 1,616,671*l.*

Sugar. The duties on sugar, raised by additions on several

¹ The amounts are taken from the Account of Public Income for the year ended January 5, 1816. Finance Reports, 1816. In the customs, Great Britain, the net produce is given. In the excise, England and Scotland, the gross receipt is given, less exports. In the branches of stamps and taxes, the gross receipt is given.

occasions to 1*l.* 10*s.* the cwt., yielded, after deducting drawbacks and bounties which amounted to 1,552,000*l.*, 2,957,403*l.*

Plum puddings and raisins for dessert were taxed to the amount of 127,000*l.* The favourite currant dumplings of the lower classes produced 280,000*l.*; pepper, 87,000*l.*; and vinegar, 47,589*l.*

The principal taxes on articles of consumption in the form of, or capable of producing, drinks were those on beer, wine, spirits, tea and coffee. Drinks.

The duty on beer, which, on the repeal of the income tax in 1802, had been raised by Addington to 10*s.* the barrel for strong beer, and 2*s.* the barrel for table beer, produced 3,330,044*l.*; the duty on malt, raised at the same time, from 1*s.* 0 $\frac{1}{4}$ *d.* the bushel to 2*s.* 5*d.*, and, on the recommencement of the war, to 4*s.* 5*d.*, produced 6,044,276*l.*; and that on hops, 222,026*l.* If we add about 200,000*l.* as for the yield from licenses to brewers and maltsters, and for the sale of beer, the total produce of the taxes falling on beer may be taken at 9,800,000*l.*

The smuggling of wine along the southern coast did not prevent the realisation of a considerable revenue from the wine cask; the duty on wine, with the duties on the licenses for the sale of wine, produced 1,900,772*l.*

The distillery—that is to say, gin, whisky, and British brandy—gave 3,459,088*l.*; and foreign and colonial spirits, that is to say, brandy and rum, 2,917,818*l.*: a total produce of 6,376,906*l.*; or if the revenue from licenses be added, about 6,700,000*l.*

The total produce from alcoholic liquors, beer, wine, and spirits, was therefore, at this date, about 18,400,000*l*. Minor taxes on cider, perry, and verjuice produced 19,291*l*.; the tax on sweets and mead, 18,154*l*.

Tea. The duty on tea, raised since the commencement of the war, by successive additions, from 12·10 to 96 per cent. on all sorts of teas, produced 3,591,350*l*., and the duty on coffee 276,700*l*.

Tobacco. From tobacco and snuff we derived 2,025,663*l*.¹

Other articles. The taxes on articles of consumption not eatables, drinks, or tobacco, touched coal, a great variety of articles forming the raw materials for building houses, ship-building and other manufactures, and many of the most important of our manufactures, some of which again formed the raw material for building or for other trades.

Coal. The duties on coal and culm, and slates and stones, carried coastways, produced 871,165*l*., and 44,632*l*.; in all 915,797*l*.

Timber. Those on timber of various sorts, and in various stages of manufacture, 1,802,000*l*., of which deal and deal ends contributed 735,000*l*., and fir timber 472,000*l*.

Those on cotton wool, 760,000*l*.; those on raw and thrown silk, 450,000*l*.; those on hemp, 285,000*l*.; while the duties on barilla produced 59,000*l*.; on indigo, 86,000*l*.; on pearl and potashes, 52,000*l*.; on bar iron, 63,000*l*.; and on skins and furs, 37,000*l*.

¹ This includes the yield of the customs and the excise consolidated duties, temporary war duties, and annual duties.

The taxes on manufactures which in their turn form the raw material for other trades or for house-building, fell on leather, which, doubled by Vansittart in 1813, produced 698,342*l.*; soap, which produced 747,759*l.*; and bricks and tiles, which, raised in amount by three additions during the war, produced 269,121*l.* The tax so unfortunately re-imposed by Legge upon glass produced 424,787*l.* The other taxes on manufactures originally imposed in the war of the Spanish Succession, at the same time as those on leather and soap, viz., those on candles, paper, printed goods, and newspapers, produced — from candles, 354,350*l.*; printed goods, 388,076*l.*; paper, the manufacture of which had recently increased enormously, 476,019*l.*; newspapers, 383,000*l.*; and advertisements, 125,000*l.*;¹ gold and silver plate produced 82,151*l.*; and the minor taxes of this description, viz., those on starch, stone bottles, wire, medicines, and cards and dice, amounts comparatively insignificant, but in all, 132,116*l.*; forming a total for manufactures of 4,080,721*l.*

To enumerate the articles included in the tariff is impracticable. The duties had been raised, by addition upon addition, to very high rates, and in many cases were practically prohibitory. The produce of several of the most important contributories has already been stated. The remaining items produced lesser amounts, decreasing to insignificance: pill-boxes yielded, in Scotland, 18*s.* 10*d.*; the gross produce of

¹ Gross receipt, deducting for exports. The deduction under this head for printed goods was 910,815*l.*; for glass, 428,346*l.*

the permanent duties on saltpetre was 2*d.*, and that of the war duty, 1*d.*; but numbers tell, and the total yield of these items, amounting to several hundreds, was no less than 1,188,000*l.*

The duties 'outwards,' that is, on certain foreign goods exported, and alum, coals and culm, copperas, lead and tin, with the small percentage duty on British goods exported, produced 364,417*l.*

III.—STAMP DUTIES.

The list of instruments liable to stamp duty, to be counted, as the tariff, by pages, extended to 'every species of written or printed document necessary for carrying on the business of mankind.'¹ The duties were excessive in amount, unequal and arbitrary in the scales on which they were imposed, having, in general, the effect of taxing small transactions at a higher rate than large transactions. And the stamp laws, thick-set with anomalies, were so numerous, intricate, complicated, and in many instances conflicting, that penalties were incurred by the best-intentioned persons, and questions arose which puzzled the most acute intellects. North's duty on bills of exchange and promissory notes had been increased to produce 841,000*l.*, or, including the composition for bankers' notes, 900,000*l.* The tax on receipts, originally imposed by the Coalition, which had also been increased several times, produced 210,000*l.* And the main body of the tax, increased by Pitt in 1797, by Addington's and Perceval's consolidations, and re-

¹ Chitty, Stamp Laws.

cently by Vansittart's consolidation, consisting of duties on conveyances, leases, bonds and mortgages, settlements of personal property and other instruments, and including the fruitful general charge on 'deeds not specifically charged' now raised from the original 6*d.* to 1*l.* 15*s.*, produced about 1,692,000*l.*

A summary of the foregoing may be given as follows :—

I.—DIRECT TAXES. £

The land tax	1,196,000
The taxes on houses and establishments	6,500,000
The income tax	14,600,000
The tax on succession to property .	1,297,000
Property insured	918,000
Property sold at auction	284,000
Coaches, posting and hackney cabs .	471,608
Tonnage on shipping	171,651
	<u>25,438,259</u>

II.—TAXES ON ARTICLES OF CONSUMPTION.

(a) <i>Eatables</i> :—	£
Salt	1,616,671
Sugar	2,957,403
Currants, raisins, pepper and vinegar .	541,589
	<u>5,115,663</u>

(b) <i>Drinks</i> :—	£
Beer	3,330,044
Malt	6,044,276
Hops	222,026
Licenses	200,000
Wine	1,900,772
Spirits	6,700,000
Tea	3,591,350
Coffee	276,700
	<u>22,265,168</u>

(c) <i>Tobacco</i>	2,025,663
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(d) *Articles, not eatables, drinks, or tobacco, viz., coals and raw materials for manufactures, buildings, ship-building, and other trades :—*

	£
Coals and slate	915,797
Timber	1,802,000
Cotton wool	760,000
Raw and thrown silk	450,000
Barilla, indigo, potashes, bar iron, and furs	297,000
Hemp	285,000
The duties outwards	364,417
Other customs duties	1,188,000
	<hr/> 6,062,214

(e) *Manufactures :—* £

	£		£
Leather	698,342	Newspapers	383,000
Soap	747,759	Advertisements	125,000
Bricks and tiles	269,121	Plate	82,151
Glass	424,787	Minor taxes	132,116
Candles	354,350		
Paper	476,019	Total	<hr/> 4,080,721
Printed goods	388,076		

III.—STAMP DUTIES.

	£
Bills and notes	841,000
Receipts	210,000
Other instruments	1,692,000
	<hr/> 2,743,000

The totals of the Summary amount to 67,730,688*l.*, and, if 63,289*l.* be added for the taxes on salaries and pensions, cider, perry and verjuice, and sweets and mead, before mentioned, 67,793,977*l.* The difference between this amount and the 68 $\frac{1}{4}$ millions, stated to be the Revenue for Great Britain, is mainly due to the yield from the numerous trade licenses before mentioned, and that of some minor taxes, such

as pamphlets, almanacs, racehorses, &c., not before mentioned.¹

The revenue from taxes in Ireland in the same year, 1815, ended January 5, 1816, was in British currency as follows:—

	£
Customs	2,356,544
Excise ²	3,298,309
Specially appropriated duties . . .	43,209
Stamps	560,661
	<hr/> 6,258,723

Such were the sources from which we derived our revenue from taxes at the end of the great war with France. Of the produce of all these taxes, 32,000,000*l.* a year went to pay the interest on the debt caused by the wars in which we had been engaged during the last 130 years. The details above given will enable the reader to follow what Sydney Smith wrote on the subject in an article in the ‘Edinburgh Review’ in 1820. ‘We can inform Brother Jonathan,’ he writes, ‘what are the inevitable consequences of being too fond of glory. Taxes upon every article which enters into the mouth or covers the back or is placed under the foot. Taxes upon everything which it is pleasant to see, hear, feel, smell, or taste. Taxes upon warmth, light, and locomotion. Taxes on everything on earth or under the earth, on everything that comes from

¹ The total yield under the head of Excise Licenses alone is over 753,000*l.* This includes beer and spirit licenses, and as no account can be given of the produce of these licenses in this particular year, it is impossible to make the above statement absolutely complete. The margin for the inevitable &c. has been reduced to the minimum.

² This includes quit-rents and other revenue under the management of the commissioners of excise.

abroad or is grown at home. Taxes on the raw material, taxes on every fresh value that is added to it by the industry of man. Taxes on the sauce which pampers man's appetite, and the drug which restores him to health; on the ermine which decorates the judge, and the rope which hangs the criminal; on the poor man's salt and the rich man's spice; on the brass nails of the coffin, and the ribbons of the bride; at bed or board, couchant or levant, we must pay. The schoolboy whips his taxed top; the beardless youth manages his taxed horse, with a taxed bridle, on a taxed road; and the dying Englishman, pouring his medicine, which has paid 7 per cent., into a spoon that has paid 15 per cent., flings himself back upon his chintz bed, which has paid 22 per cent., and expires in the arms of an apothecary who has paid a license of a hundred pounds for the privilege of putting him to death. His whole property is then immediately taxed from 2 to 10 per cent. Besides the probate, large fees are demanded for burying him in the chancel. His virtues are handed down to posterity on taxed marble, and he will then be gathered to his fathers to be taxed no more.'

Previously in the article he had noticed the number of licenses required under the existing system of taxation. 'A truly free Englishman,' he wrote, 'walks about covered with licenses. It is impossible to convict him. He has paid a guinea for his powdered head, a guinea for the coat of arms upon his seals, a three-guinea license for the gun he carries upon his shoulder to shoot game, and is so

fortified with permits and official sanctions that the most eagle-eyed informer cannot obtain the most trifling advantage over him.’¹

Comparing the burdens of the present generation with those of their grandfathers, the late lord Derby in a speech at Liverpool sums up :—‘ With everything taxed that could be taxed, and an income tax at 10 per cent., truly our grandfathers had something about which to grumble.’

As an addendum to the list of existing taxes in 1815, it may be interesting to have a list of taxes repealed, relinquished, or proposed and rejected, since the Revolution, in a

LIST OF FAILURES.

<i>Hearth money</i> , repealed . 1688	<i>Growers of hops</i> (license)
<i>Poll Taxes</i> , last in . . . 1698	prop. 1784
<i>Taxes on Jews</i> , proposed 1689	<i>Shops</i> , rep. 1789
<i>Stock of East India</i> , Royal	<i>Women servants</i> , rep. . 1792
<i>African and Hudson’s</i>	<i>Waggons and carts</i> , rep. . 1792
<i>Bay Companies</i> . . 1692–3	<i>Gloves and mittens</i> , rep. . 1794
<i>Tobacco pipes</i> , rep. . . 1699	<i>Registration of births,</i>
<i>Births, marriages and</i>	<i>deaths and marriages,</i>
<i>burials</i> . . . 1695–1706	rep. 1794
<i>Bachelors and widowers</i>	<i>Parcels by coach</i> , prop. . 1797
1695–1706	<i>Inland navigation</i> , prop. 1797
<i>Possession of plate</i> , rep. . 1777	<i>Clocks and watches</i> , rep. . 1798
<i>Carriage of goods</i> , prop. 1782	<i>Pig-iron</i> , prop. 1806
<i>Playhouses</i> , prop. . . . 1782	<i>Private brewing</i> , prop. . 1806
<i>Cotton bleachers and</i>	<i>Hats</i> , rep. 1811
<i>printed goods</i> , ad valo-	<i>Cotton from America,</i>
<i>rem</i> 1784–5	prop. 1811 & 1813
<i>Coals at the pit</i> , prop. . 1784	<i>Property bought in at</i>
	<i>auctions</i> , prop. . . . 1812

¹ Sydney Smith, Works, ii. 112, 117.

CHAPTER II.

FROM THE REPEAL OF THE INCOME TAX TO THE ABANDONMENT OF THE SINKING FUND, 1816-29.

PART I.

THE LIVERPOOL ADMINISTRATION. VANSITTART, 1816-22.

REPEAL OF THE INCOME TAX and the war malt duty in 1816. Additional duty on soap. The Sinking Fund. Report of Castlereagh's select committee on income and expenditure. The additional taxes of 1819. The deficits of 1820 and 1821. Repeal of the tax on agricultural horses, the additional duty on malt, half the duty on leather, the duty on salt, the tonnage on shipping, and the hearth and window taxes in Ireland. The 'Dead Weight' annuities scheme.

Income
tax re-
pealed.

OF all the burdens that one after another had been heaped upon the shoulders of the British taxpayer during the progress of the Great War, by far the most grievous was the income tax at 10 per cent. In 1802, after the peace of Amiens, when Pitt's income tax had been repealed by Addington, he had at the same time, in order to recoup the revenue to some extent, increased the taxes on beer and malt and the assessed taxes; but this precedent Vansittart could not follow. Could he retain any part of the tax? That there would be considerable difficulty in reconciling the country to the continuance of any part of the income tax in time of peace was clear; and yet without the tax it seemed impossible to keep up the necessary peace establishment.¹ The government decided to propose, in lieu of a total repeal,

¹ Wellington to Castlereagh, Aug. 11, 1815. Despatches, xi. 112.

a reduction of the tax by a moiety, to 5 per cent., to be accompanied by a repeal of the war malt, customs, and spirit duties, the window tax in Ireland, and some other duties of minor importance. But the expectations of the people that, on the return of peace, the income tax would be wholly repealed, would not brook disappointment. An ill-timed observation of Castlereagh regarding 'ignorant impatience of taxation' had the same effect, in irritating the minds of the people, as Walpole's observation about 'sturdy beggars' at the time of his Excise Bill, and increased the opposition to the proposal to retain the tax at half rates. The total repeal of the tax formed the subject of innumerable petitions to the house of commons, a course in which Brougham, as an agitator, and the citizens of London as petitioners, took the lead. And, after prolonged debates in the House, the government reluctantly abandoned their original proposal, and instead of retaining the income tax at half rates, gave it up in toto.

The tax produced 14,320,000*l.* Under this head, therefore, an amount of seven millions of revenue more than had been intended was relinquished. But the ministry, notwithstanding the forced change in their plans, could not, in view of the agricultural distress that prevailed, retract their proposal for the reduction of the war malt duty.¹ This involved a further loss to the revenue of 2,790,000*l.*, and other

¹ Duty under 53 Geo. III. c. 81 and Acts continuing the same allowed to expire July 5, 1816. Duty reduced in Ireland by 56 Geo. III. c. 59.

duties were repealed at the same time which produced over a million.¹

Thus, therefore, immediately after the war, at a single stroke, we struck out of the fiscal list taxes producing about eighteen millions of revenue, and shattered our fiscal system to pieces.

Vansittart endeavoured partly to fill the enormous void thus caused in the revenue by additions to the port duties and excise. Among these the most important was an addition to the duty on soap. This tax, one of the quartet which, as a rule, had been excepted from the general rises in the excise duties which had frequently been made, was acknowledged to press upon an article of necessity from which, except in cases of peculiar urgency, no further contribution should be required. This view, enforced by Adam Smith in the 'Wealth of Nations,' had been accepted by North, who deferred until 1782, the seventh year of the war of American Independence, that increase in the tax he made in his last budget which caused him to figure as 'Old Soapsuds' in the caricatures of the day. In the same view Pitt had, during his long career at the exchequer, abstained from making any addition to the tax even in the darkest hour of the Great War. When, therefore, in a time of peace, Vansittart raised, as he now did, the duty on this article of necessity from $2\frac{1}{4}d.$ to $3d.$ the pound,² to produce an additional 230,000*l.*, a well-known print of the day expressed not merely the sentiments of 'Betty, the

¹ The war customs, spirits, &c.

² 56 Geo. III, c. 44.

Washerwoman,' but the prevailing or indeed the general feeling of astonishment: 'Lor! Mr. Vansittart, who would ever have thought of seeing you in the washing-tub?'

In 1818 a considerable improvement in the 1818. general condition of the country was reflected, as it invariably is, in the returns of revenue, but there was a considerable agitation for the repeal of the taxes on salt, leather, and houses in Ireland. The dissolution of the parliament of 1812, in June, was followed by elections involving a gain to the opposition of from fourteen to twenty-three seats. And the prosperity of the country continued throughout the summer and autumn, with a corresponding advantage to the revenue.

In the next year a most unfortunate addition to 1819. our taxes was made, substantially with a view to prop up the 'Sinking Fund' system. At this date the sinking fund applicable to the reduction of the national debt was 15,000,000*l.* a year. That was the annual amount which, under the existing law, was to be received by the commissioners for the reduction of the debt; and *practically* this had to be paid out of surplus revenue, if we had any surplus revenue, and, failing a surplus, or so far as the surplus was insufficient, by means of a loan. Originally created by Pitt, to strengthen public credit, when we had an available surplus amounting to 1,000,000*l.*, the fund had been maintained, underpropped and strengthened by him in the war, until it became a delusion and a snare when, in lieu of having annually money applicable to

the redemption of debt, in fact we could not make both ends meet without borrowing largely year by year. To reverence for the memory of this illustrious man may be ascribed the measures taken by his former protégé, Vansittart, in relation to this sacred Fund.

A select committee of the House, appointed on the motion of Castlereagh, February 8, consisting almost entirely of the members who had formed the Finance Committee of the last parliament, made their report, and the chancellor of the exchequer read to the House, June 3, the resolutions he intended to bring forward as founded upon that report, which were, in effect, as follows :—

Since the war we had repealed taxes yielding 18 millions and upwards. The consolidation of the revenues of Great Britain and Ireland had cost us about 1,900,000*l*.¹ 13½ millions had to be raised by loan or other extraordinary resources for the year. And the Sinking Fund exceeded the sum necessary for the service of the year by 3,000,000*l*.

To provide for the exigencies of the public service; to make such progressive reduction of the national debt as might adequately support public credit; and to afford the country a prospect of future relief from part of its present burdens, it was absolutely necessary that there should be a clear surplus of the revenue of the country beyond the

¹ 56 Geo. III. c. 98. The consolidation was from January 17, 1817. The separate revenue from Ireland was only 4,500,000*l*., as against a charge for the funded and unfunded debt of 6,400,000*l*., including therein the sum of 2,400,000*l*. as the sinking fund applicable to the reduction of the debt.

expenditure of 5,000,000*l.*; and with a view to the attainment of this important object it was expedient now to increase the revenue by the imposition of taxes to the amount of 3,000,000*l.* per annum.

The duties proposed were:—

1. A consolidation of customs, including 200,000 <i>l.</i>	£
of increased duty on foreign wool	500,000
2. Malt	1,400,000
3. British spirits	500,000
4. Tobacco	500,000
5. Coffee and cocoa	130,000
6. Tea	130,000
7. Pepper	30,000
	<hr/>
	3,190,000

The resolutions were passed. The budget was introduced. The taxes were granted.¹ Twelve millions were taken as a loan from the sinking fund; and there was a new loan of the same amount. The year, memorable as that of the unfortunate Peterloo riot and the passing of The Six Acts, was one of continuous distress, and the revenue fell off proportionately.

A deficit for 1820 was covered by means of a 1820. 1. loan. Another loan covered another deficit for 1821. Moreover, the financial failure of the new taxes of 1819 was now evident; it was clear that the addition for malt could not long be maintained, and on March 22, Western carried, in the Commons, a motion for the repeal, which had a practical result in the following year.

¹ See as to tea, raising the duties to 96 and 100 per cent. on the different sorts, coffee and cocoanuts, tobacco, pepper, malt, and spirits, 59 Geo. III. c. 53; customs consolidation, raising the duty on foreign wool, c. 52.

Agricul-
tural
horses.

Later on in the session, an important concession to the general desire for the repeal of a tax was wrung from the government. The tax on agricultural horses, imposed by Pitt in the third year of the Great War, had been raised during the war, in a time of great agricultural prosperity, by means of several additions, to a considerable tax. It now formed the subject of constant complaints. In principle as bad a tax as can be imagined, it was unfair in its incidence, as scarcely touching grass lands, some of the richest in the country. The agricultural committee then sitting had condemned the tax, it was known, but they had not yet reported. The government desired to defer action until after the report of the committee, but this was not to be. In June Mr. Curwen, bringing forward a motion for the repeal of the tax, carried it by a majority of twenty-eight votes; the government yielded, and the tax was repealed,¹ at a loss to the revenue of about 450,000*l.* In the next year, 1,400,000*l.* more was given up when the government, in accordance with the vote of the House in the previous session, repealed almost the whole of the addition for malt imposed in 1819, retaining only 2*d.* of the duty.

1822.

Leather.

But this repeal, practically the result of the fierce contests on the subject followed by Western's victory of the preceding year, did not satisfy the universal desire for a considerable remission of taxation. There were other claimants for redress, to whom the ministry were now compelled to attend. A number of articles most necessary in every stage of the life of man were

¹ 1 & 2 Geo. IV. c. 110.

affected by the tax on leather; and no measure of Vansittart's had proved more unpopular than that imposition of the double duty in 1812, which had caused Moore to term him the 'devout man of leather.' The tax was now reduced by a moiety,¹ at a cost to the revenue of about 300,000*l.* a year.

And now at last the duty on salt was repealed. The original excise on salt under the commonwealth had been one of the most unpopular of the excises, and as such was subsequently repealed, but only to be reimposed after the Revolution, in the war with France. This tax, also extremely unpopular, repealed by Walpole in 1730, was reimposed by him in 1732, in the hope of keeping the land tax at a low rate. Raised by Pitt under the pressure of the Great War, in 1798, to 10*s.* the bushel, it was, in 1801, absolutely condemned in the report of a committee of the house of commons on the subject. The recommencement of the war had prevented the execution of this sentence, and in 1805 the duty was raised to 15*s.* In February a motion for the gradual repeal of the tax had been lost by only four votes, 169 voting against 165. The government now decided to take the course suggested, and, reducing the rate to 2*s.*, imposed that rate only until 1825, when the tax was to determine. The immediate loss to the revenue from the reduction was about 1,400,000*l.*

Another 150,000*l.* was given up by the repeal of the tonnage on shipping, and 240,000*l.* more by the repeal of the unpopular and detrimental hearth-money

¹ See as to malt, 3 Geo. IV. c. 18; leather, c. 83.

and window tax in Ireland.¹ The total of the remissions for the year amounted to 3,500,000*l*.

And how, it will be asked, was it possible to spare so large an amount? The answer is that, in this year, some assistance was derived from a reduction of interest on the navy debt and other 5 per cent stock, which Vansittart converted into 4 per cents., at a gain to the public of 1,200,000*l*. per annum; 10 per cent. was taken from the salaries of the civil servants of the crown towards payment of their superannuations; and it was hoped that our expenditure would be lessened by no less than 2,100,000*l*. by means of the Dead Weight annuities scheme.

This term, 'Dead Weight,' was used to designate the annual charge for half-pay and pensions of the army and navy and civil retired allowances. The old 'Waterloo man' of so many an English village, and old British tars who, as the song went, had 'seen a deal of sarvice, had sailed with noble Howe, and had fought with gallant Jervis,' had increased the item to considerable dimensions since the war. It amounted, in the whole, to 4,900,000*l*., and being for 'non-effective,' as opposed to active 'service,' was, therefore, termed the 'Dead Weight.' The existing charge was estimated to cover a certain number of years. The plan was to extend it so as to cover, *at a reduced rate*, a longer period; and the deferred annuities formed the subject of a loan. In short the scheme was an intricate contrivance for feeding the

¹ See as to salt, 3 Geo. IV. c. 82: tonnage on shipping, c. 48; hearths in Ireland, c. 54.

Sinking Fund. On the strength of this, Vansittart was able to give up the malt duty before the scheme turned out the failure it subsequently proved to be.¹

¹ Only about half a million of annuities were taken up, by the Bank. The Bank dead weight annuity fell in in 1867.

PART II.

ROBINSON, HUSKISSON AND GOULBURN, 1822-9.

Peel, Canning, Robinson, and Huskisson join the administration. Reversal of the policy of the Sinking Fund. Repeal of half the window tax and taxes on establishments in Great Britain. Total repeal for establishments in Ireland. Reductions for spirits in Scotland and Ireland. Commencement of the reform of our commercial taxation. Reductions for raw and thrown silk and wool. The exportation of sheep and wool allowed. The Union duties abolished. Reduction of duty for coal to London. Reduction for rum. Stamp duties on law proceedings abolished. Reduction of house and window duty for small houses. Other reductions for hemp, coffee, wine, spirits in England and other articles. Huskisson's tariff of 1825. Consolidation of the customs' laws. Robinson's review of the fiscal situation in 1826. Hume's counterstatement. Reduction of the duty on tobacco. Canning's administration. His death. The Wellington administration. Huskisson resigns. Further reduction of the Sinking Fund. Abandonment of the Sinking Fund. Principal taxes repealed, 1816-29.

A TRANSFORMATION of the Liverpool administration commenced in 1822, when the veteran Sidmouth, acknowledging, on the score of his advancing years, that the tempus abire had arrived, though still reluctant to resign the 'pleasing, anxious being' of public life, at last screwed up his courage to resignation point, and left a vacancy at the home office which was soon filled with distinguished ability by Peel. Before this the Grenville party had joined the government. In August, when the unfortunate end of Londonderry created a vacancy at the foreign office, the king, persuaded by Liverpool and the duke of Wellington of the necessity of placing Canning in office, appointed him to fill the vacant post; and he now took the

lead in the house of commons.¹ A third alteration Sept. 1822.
 was due in no small degree to the influence of Canning, exerted in favour of Frederick John Robinson, a son of the second lord Grantham. He had been at the board of trade since 1818, and was now appointed chancellor of the exchequer in the place of Vansittart, who, an acknowledged failure in finance, was induced to take the sinecure chancellorship of the duchy of Lancaster, with a peerage as lord Bexley. The transformation was completed by the appointment of Huskisson, who could no longer be excluded from office, to succeed Robinson as the president of the board of trade.²

As thus transformed, the Liverpool administration certainly could no longer with reason be termed an administration of 'mediocrities.' The effect of this infusion of new blood into the ministry was soon evident in our fiscal as well as in our foreign affairs. While Canning was effecting the reform of our policy abroad, and cutting the nation away from the bonds of the 'holy alliance,' Robinson, in conjunction with Huskisson, commenced reforms at home which led eventually to the substitution of free trade in lieu of the protection of particular interests. In short, the accession of Huskisson to the board of trade marks a new era in fiscal history.

As things then stood, the revenue could afford no 1823

¹ Canning had re-entered the cabinet in 1816, as president of the board of control, but had resigned office in January 1821.

² Wallace, who as vice-president had a certain kind of claim to the higher post which would have rendered it difficult for him to serve under Huskisson, was appointed master of the mint.

assistance to commerce bound down by monopolies, in consequence of the oppression to which she herself was subjected by the incubus of the Sinking Fund. The policy of Vansittart, of borrowing with one hand to pay with the other, the policy of maintaining an enormous sinking fund for the payment of debt, by means of annual loans, had been strongly criticised by Huskisson in a memorandum on the subject of our financial situation he submitted to Liverpool in 1819, in which he had pointed out that the *only source from which debt can be paid is the excess of annual revenue over expenditure*. And the first fiscal step of the transformed administration, taken in the direction pointed out by Huskisson, consisted in the *reversal of the policy of the sinking fund*. From this source, while still leaving five millions for the reduction of debt, Robinson obtained a surplus which enabled him, in his first budget, to repeal a moiety of the window tax, and the assessed taxes on establishments consisting of carriages, men servants and horses, in Great Britain; taxes all charged at the excessive rates to which they had been raised in the war.¹ In Ireland, where the hearth and window taxes had been repealed in the preceding year, the similar taxes on establishments, if retained at half-rates, would probably not yield sufficient revenue to repay the cost and trouble of collection. They were therefore repealed, and also the tax on dogs,² leaving Ireland free from taxes on establishments. The loss from the reduction of taxes in Great Britain was estimated at 2,500,000*l.*, and

The assessed taxes reduced.

¹ 4 Geo. IV. c. 11.

² 4 Geo. IV. c. 9.

that from taxes repealed in Ireland, at about 100,000*l*.

A reduction in the spirit duties in Scotland and Ireland, made in accordance with the recommendation of the commissioners of revenue inquiry, and in the hope of checking illicit distillation in those parts of the United Kingdom, where it was general,¹ was crowned with such signal success in the increase in the consumption of duty-paid spirits that, in lieu of the expected loss to the revenue, this measure was followed by an increase in the yield.

Reform of Commercial Taxation commenced.

‘Le ciel t’aidera,’ might have been the motto of Robinson. The suffering of 1820, 1821 and 1822 was followed by the prosperity of 1823, 1824 and 1825. In the first of these years much good had been done by the chancellor of the exchequer; in the next, taking the surplus of the consolidated fund towards the supplies of the year, he was able to continue his course in the reduction of taxation. He now commenced, with Huskisson, important reforms in our commercial taxation. ‘Why not,’ the chancellor of the exchequer urged in his budget speech, ‘emancipate the commerce of Great Britain? Why not sever the cords that tie her down to the earth, and let her spring aloft to convey the produce of our industry to every quarter of the world? What period could be more auspicious? Everything prospered with us. . . . It was the best opportunity which

1824.

¹ 4 Geo. IV. c. 94.

could be desired to cut the bonds of ancient prejudice which shackled the nation's energies, and spring forward with a new start in the pursuit of national wealth.'¹

Silk.

The first, and perhaps the most important reform had reference to the silk trade. Robinson gave up a considerable amount of revenue, by a reduction of the duties on imported raw and thrown silk; while Huskisson was able to pass, in this and the next year, measures for repealing—the prohibition of the importation of foreign wrought silks;² the bounties on the exportation of silk manufactured articles;³ the Act known as the Spitalfields Act, and the other Acts that empowered the magistrates to regulate the wages of persons employed in the manufacture;⁴ in short, effectually to revolutionise the trade and place it upon a more satisfactory basis than the artificial arrangements previously in force.

Woollens.

Another reform had reference to the woollen manufacture, which was assisted by a reduction of the duties on imported wool, which had been raised, unfortunately, in 1819, to excessive rates. The agricultural interest received a boon in the repeal of the long-standing prohibition of the exportation and carrying coastwise of sheep alive, sheep's wool or any manufacture thereof, and hare and cony wool and skins; but a small export duty of 1*d.* the lb. was imposed upon wool, and manufactures of wool put

¹ Ann. Reg. 1824, p. 67.

² From March 25, 1824, they were admitted on payment of a duty of 30 per cent. on the value.

³ 5 Geo. IV. c. 21.

⁴ *Ibid.* c. 66.

together so as to be capable of reduction to, and use again as wool.¹

A third reform consisted in the abolition of the remainder of what were termed the Union duties. These duties, which obstructed the reciprocal intercourse of produce and manufactures between Great Britain and Ireland, had been partly repealed by an Act of the preceding year. Their total repeal was now effected at the desire of the Irish themselves, who had originally been fearful of the consequences of the repealing Act of 1823.²

Another important reduction of duty had reference to coals imported into London. Allusion is made to it in Canning's letter from a Cambridge tutor to his pupil:

Yes, fallen on times of wickedness and woe,
We have a Popish ministry, you know,
Prepared to light, I horribly do conceive,
New fires in Smithfield, with Dick Martin's leave.
Canning for this with Robinson conspires,
The victim this provides, and this the fires,
Already they with purpose ill concealed
The tax on coals have partially repealed,
While Huskisson, with competition keen,
Can tell how many pecks will burn a dean.³

For the relief of the West India colonists, the duty on rum was considerably reduced.

Lastly, the stamp duties on law proceedings were repealed. Against these duties it had frequently been urged in the house of commons that such a tax was an infraction of the clause in Magna Carta, 'nulli

¹ 5 Geo. IV. c. 47.

² 5 Geo. IV. c. 22; 4 Geo. IV. c. 26. The duties were imposed under Article VI. of the Union Act. See 1 Geo. IV. c. 45.

³ Edinburgh Review, July 1858.

vendemus rectum, aut justitiam.' Bentham, in his writings, had powerfully exposed the fallacy of the doctrine on which the existence of these duties had been supported in argument. They were acknowledged to be in effect (as Mill has remarked of them) a tax on redress, and therefore a premium on injury; and they had been retained solely for purposes of revenue. The proposal to repeal them, pressed by Mr. John Smith, was accepted by the chancellor of the exchequer, though at an estimated loss not contemplated in his fiscal arrangements for the year.¹

The remissions of taxation were estimated as follows, for—

	£		£
Silk	460,000	The Union duties . .	300,000
Wool	350,000	Rum	150,000
Coal	200,000	Law proceedings . .	200,000

Taken in the whole they amounted to 1,660,000*l.*; but in the event the estimated loss to the revenue on rum was recouped by an increase in the import of this colonial spirit. On the other hand, it may be noted that the loss by the repeal of the stamp duties on law proceedings is stated in the inland revenue reports to have been 275,000*l.*

1825.

The year 1825 is one of importance in the annals of taxation. Under the arrangement effected in 1822, the remainder of the salt duties expired in this year, at a considerable loss to the revenue; but Robinson was able, nevertheless, to effect considerable reductions in direct and in indirect taxation. While refusing to abolish the assessed taxes, he granted for the

¹ See as to law proceedings, 5 Geo. IV. c. 41; and rum, c. 34.

poorer class of houses, viz., those under a rent of 10*l.*, an exemption from the inhabited house duty ; and for houses with not more than seven windows, an exemption from the window duty. These exemptions were supplemented by others of minor importance, relating to taxable establishments ; occasional waiters in taverns were no longer to be charged as servants, taxed carts and pony-carriages were exempted from duty, with other exemptions.

Under the head of indirect taxes, the import duties on hemp were reduced by a moiety, there was a reduction for coffee and cocoa, which had, unfortunately, been taxed additionally in 1819, and in the excise on cider made for sale. With a view to increase the consumption of wine, which did not keep pace with the increase in the population, the duty was lowered to 6*s.* the gallon, for French wine, and 4*s.* for other wine.¹ And with a view to suppress illicit distillation, and in accordance with the suggestions made in the report of lord Wallace's commission on this subject, the duty on the distillery in England was lowered to 7*s.* the gallon,² and the method of charge in use in Scotland was applied to England.

In addition to the foregoing, a considerable amount of revenue was given up by reductions of duty involved in the new tariff.

The estimated loss, under the particular heads, would be as follows, for—

£			£		
Houses	.	220,000	Coffee	.	150,000
Servants	.	50,000	Wine	.	230,000
Hemp	.	100,000	Port duties	.	250,000

¹ From 11*s.* 5*d.* and 7*s.* 7*d.*

² From 11*s.* 8½*d.*

In short, the loss (exclusive of that for spirits) amounted to over a million.

The estimate for the loss on spirits, with a simultaneous reduction for rum, was 750,000*l.* ; but, in the event, in two years the revenue was recouped, in consequence of the enormous increase in the consumption of duty-paid spirits that resulted from the reduction of the duty.

It is, however, from administrative and legal points of view that this year is of special importance in revenue history. A re-arrangement of taxes was effected by the transfer, from the excise branch to the customs branch of the revenue, of the taxes on wine, foreign spirits, coffee, cocoa-nuts, pepper and tobacco, which for a long time had been collected by the excise, but henceforth range, wholly, under the head of customs or port duties. A new spirits Act was passed. And the law relating to licenses under the excise laws in the United Kingdom was consolidated. But the most important reform of the year was that of the laws relating to the customs, of which the Tariff Act formed a part. A multiplicity of enactments, many of them obsolete, were now repealed, and the laws on the subject were re-enacted as embodied in eleven Acts relating to the different subjects of the customs, and to matters of trade.¹

¹ See as to houses and windows, 6 Geo. IV. c. 7 ; wine, coffee, and hemp, c. 13 ; the new spirit Act, c. 80 ; excise licenses, c. 81 ; customs consolidation, cc. 105-16, c. 111 being the Tariff Act. In this Act the duties on wine and spirits were imposed upon the imperial gallon under the Act for the uniformity of measures of the previous year, 5 Geo. IV. c. 74, the commencement of which, at first for May 1, 1825, was subsequently deferred until Jan. 1, 1826, by 6 Geo. IV. c. 12.

For the consolidation of the laws of the customs the nation was indebted to Mr. James Deacon Hume; for the arrangement of the new tariff, to Huskisson; and whoever may have leisure to devote to the perusal of a masterly statement on an intricate subject, will find himself repaid for his trouble in reading the speeches of this illustrious man relating to the tariff. They evidence an intimate acquaintance with the details of his subject, and an ability in treating it, not surpassed in any similar records.

The commencement of 1826 was marked by a 1826. continuance of that depression in manufactures and commerce which had prevailed at the close of the preceding year. But, notwithstanding the gloom that spread over the manufacturing, the trading, and the monied interests, and the reduction of taxes effected in the previous year, the revenue, taken in the whole, maintained its position. The statistics of our fiscal position were now as follows:—

	£
Debt—annual charge	29,250,000
Military and naval expenditure (average) .	15,000,000
Civil list and civil government	3,400,000
Collection and management of revenue .	3,438,000
Revenue from taxes ¹	54,428,000
Revenue from post office	1,733,000

On opening the budget, March 13, Robinson passed under review the principal alterations in taxation effected since the war: how, immediately, in 1816, the income tax at 10 per cent. and the war malt duty of 2s. the bushel had been repealed; how, subsequently,

¹ Year ending Jan. 5, 1826.

in 1819, it was considered necessary to reimpose an additional 1s. 2d upon malt, but only to be repealed in 1822, with half the duty on leather; the repeal of the duty on salt, in 1822-25, at the loss of over a million and a half to the revenue; the reduction of the window duty and the taxes on establishments, in 1823; and the late reductions of duty, in 1824 and 1825, for rum, the distillery, and wine.

Pointing to the returns of revenue for the last three years, he showed that though the estimated amount of revenue was 155,440,500*l.*, the actual receipts for the same period were 156,838,500*l.*, that is to say, they exceeded the estimate by 1,398,000*l.* More than that which had been promised had been performed. Entering into statistics regarding the consumption of several articles in 1825 as compared with 1816, he stated that there was an increase as follows: on beer, 16½ per cent.; candles, 36; paper, 55; tea, 20; leather, 29; malt, 50; British spirits, 53; sugar, 19; coffee, 43; tobacco, 13; wine, 88; and wool, 44.

The special facilities a minister has for obtaining abundant information on points such as this, give weight to any statement he may make upon such a subject; but it is interesting to compare with the statement of the chancellor of the exchequer that made in the same session by mr. Joseph Hume. After introducing a multitude of resolutions in reference to the budget proposals, he affirmed, in one of the debates which ensued, the increase in consumption during the period referred to by the chancellor of the exchequer

to be, as regards some of the articles before mentioned as follows : on malt not 50 per cent., but on the contrary a decrease ; wine, not 88 per cent. as stated, it had shared the fate of malt ; sugar, not 19, but $7\frac{1}{2}$ per cent., as against an increase of 17 per cent. in the population during the last nine years ; tea, not 20, but only 12 per cent. in 4 years, as against an increase of 35 per cent. in consumers ; tobacco, in five years during which the population had increased 17 per cent., a decrease of 8 per cent., as against the years 1810-14.

The discrepancy in the statements is remarkable, but one point is clear in both : the consumption of tobacco had failed to increase in proportion to the increase in the population. A curious circumstance had happened as regards the duty on tobacco. In effecting the statutory re-arrangement of the duties in the previous year, the draughtsman of the Bill had, in error, allowed one-fourth of the duty to lapse in July. Unconsciously he had accomplished a master stroke ; for his reduction of the duty was followed by a decrease in smuggling so considerable as to induce Robinson to allow his surplus, estimated at about 700,000*l.*, to go to continue the reduction thus unconsciously effected.¹

In February, 1827, lord Liverpool was seized 1827. with a fit, from which he never recovered sufficiently to be able to resign his office, and Canning received the

¹ Viz. to 3*s.* the lb., Hansard, iv. p. 1321, and see 7 Geo. IV. c. 48. In this year an Act was passed to consolidate the laws relating to the malt duty 7 & 8 Geo. IV. c. 52 ; and a General Excise Regulation Act, c. 53.

king's command to form an administration. Peel could not join him, in consequence of the opposite views they took in regard to the Roman Catholic question, and therefore resigned his post at the home office. The duke of Wellington declined to hold office. Robinson, anxious to escape from the labour of the Commons, took the colonial office, with a peerage as viscount Goderich, and undertook to lead in the Lords. His post of chancellor of the exchequer was offered by Canning to Palmerston. Previously, in 1809, Palmerston had received an offer of this post, which he declined on the score of youth. This second offer he accepted, but the king considered him too robust in business for the position, and eventually he retained his old post at the war office, and Canning became chancellor of the exchequer, as well as first lord of the treasury. Huskisson retained, in the ministry of his friend, the post of president of the board of trade, in order to support his measures while in that office.

Already, when called on to form a government, seriously ill from the effects of a cold caught at the funeral of the duke of York, Canning, retiring, after the session, to the duke of Devonshire's villa at Chiswick for rest, died there in August. His administration, which the Lansdownians were eager to mould to whig, and the Wellingtonians to reduce to tory, soon fell to pieces in the hands of his successor, the amiable man, formerly 'Prosperity' Robinson, whom, with our love of alliteration, we now termed 'Goody' Goderich, who proved, as might have been expected,

too weak in hand to drive the unequal team now harnessed to the coach of state.

The Canningites now consented to join the duke 1828.
of Wellington and Peel. In the duke's administration Peel held the post of secretary of state for the home office; Huskisson was advanced to the colonies and became leader of the Commons; Grant took Huskisson's late post; and Goulburn became chancellor of the exchequer. But, as lord Anglesey had prophesied, the duke soon tripped up the heels of the Canningites. He never was heartily at one with Huskisson; and when, on a question regarding the transfer of the franchise of a small borough convicted of bribery, Huskisson, finding himself in opposition to the rest of the cabinet,¹ in a huff precipitately sent in his resignation, the duke accepted it. This led eventually May 19.
to the resignation of the other Canningites: Grant, Palmerston, Dudley and Lamb; and the ministry was reconstituted upon a tory basis.

The first budget of the Wellington administration July 11.
was without any feature of special interest as regards the increase or reduction of taxation. Goulburn formed a balance between revenue and expenditure by a further reduction of the sinking fund. The plan since 1823 had been to pay annually out of the consolidated fund, that is to say, from revenue, 5,000,000*l.* to the commissioners for the^{re}duction of the national debt, for the sinking fund. But, in March, the Finance Committee had reported,² advising that

¹ Huskisson desired to give the seat to Manchester, while the cabinet desired to enlarge the constituency of the borough.

² Special Report, March 10, 1828.

a sinking fund not supported by a real surplus was a delusion ; that the fixed sinking fund should be abolished ; that, in estimating the supply and ways and means for the year, a surplus of not less than 3,000,000*l.* should be provided ; and that the surplus revenue of the year should be appropriated annually to the reduction of debt. The substance of these recommendations was now carried into effect, to the extent of reducing the annual sum to be paid to the commissioners to such a sum as, with the interest of the capital stock in their names, would amount to 3,000,000*l.*¹

1829.

In 1829 there was a reduction of the duty on silk. The silk trade, revolutionised in 1825, had been stimulated into unnatural activity ; and when in 1828 the demand, as usual in such cases, fell off and was followed by a stagnation in the trade, the silk-weavers ascribed their sufferings to the new commercial policy of Huskisson, and desired a strong protective duty. In lieu of increasing the duties, the government, acting on the advice of Vesey Fitzgerald, who had succeeded Grant as president of the board of trade, lowered them, with a view to the abolition of smuggling. This course did not suit the views of the silk-weavers of Spitalfields and Coventry, and the measure was followed by serious riots at Macclesfield and considerable agitation at Bethnal Green.

In the budget arrangements, Goulburn reserved a surplus of three millions of clear *bonâ fide* revenue, the amount which, according to the recommendation

¹ 9 Geo. IV. c. 90.

of the Finance Committee, should always, in estimating supply and ways and means, be kept inviolate for the purpose of reducing the national debt. And, in the year, the recommendations of the Committee, on the subject of the sinking fund, were further carried into effect:—The capital stock and annuities for terms of years standing in the names of the commissioners for the reduction of the debt were cancelled, and the interest ceased to be a charge upon the consolidated fund. In lieu of the sum, not to exceed 3,000,000*l.*, to be paid to the commissioners under the Act of the preceding year, the *actual surplus revenue of the kingdom beyond the actual expenditure thereof*, was to be paid to them, quarterly, for the reduction of debt. And, in future, stock transferred to the names of the commissioners was to be cancelled on the day of transfer.¹

The following is a list of the principal taxes repealed, 1816–29, and their approximate yield:—

<i>Direct Taxes.</i>		£
Income tax		14,320,000
Houses and establishments		2,870,000
Agricultural horses		450,000

<i>On Articles of Consumption.</i>		
Eatables : salt		1,750,000
Drinks : war malt		2,790,000
Manufactures : leather (half)		300,000
Tariff reform, 1825–6		1,300,000

<i>Stamps.</i>		
On law proceedings		275,000

¹ 10 Geo. IV. c. 27. This arrangement is continued by the Exchequer and Audit Act, 1866, 29 & 30 Vict. c. 30.

CHAPTER III.

FROM THE ABANDONMENT OF THE SINKING FUND TO THE
RE-IMPOSITION OF THE INCOME TAX, 1829-42.

PART I.

FROM THE ABOLITION OF THE SINKING FUND TO THE
REPEAL OF THE HOUSE TAX, 1829-34.

Parnell's treatise on financial reform. Repeal of the tax on beer and the tax on leather. Reduction for sugar. The Whig administration under earl Grey. Althorp's Budget in 1831. The proposed tax on transfers. Taxes on coals coastwise, printed goods and candles repealed. Expiration of the Methuen treaty. Wine duties equalised. Financial year changed. The Budget of 1833. Reductions of duty. Half the soap duty repealed. The 'malt tax repealers' at work. Repeal of the tax on inhabited houses. Division on lord Chandos's motion for relief of the agricultural classes.

Parnell's Treatise on Financial Reform.

In January, 1830, sir Henry Parnell, afterwards lord Congleton, embodied, in his Treatise on Financial Reform, a clear statement of opinions he had formed on the subject in consequence of the deliberations of the Finance Committee of which he had been chairman. The substance of his recommendations was as follows:—

1. All taxes on the raw material for any manufacture and on any material used for house-building and ship-building, including hemp, ashes and barilla, silk, hides, skins and leather, timber, and bricks and tiles, should be repealed; and the taxes on coals, tallow

candles and soap, as taxes injurious to our manufactures.

2. Certain taxes which had the effect of checking the development of the manufactures taxed, in consequence of the necessary interference of the excise regulations with the course of trade, should also be repealed; the most important being those on glass, paper, and printed goods.

3. The duties on spirits and tobacco should be reduced, in order to prevent smuggling.

4. In order to effect these salutary reforms, a tax should be imposed fairly upon property and income.

Financial reform and the reduction of taxation 1830. now became prominent questions. A compact body of members of the whig party, meeting in lord Althorp's rooms in the Albany, resolved to combine for action for the sole purpose of advocating these principles. And the ministry, feeling that the general desire for the further remission of taxation must receive consideration in their budget for 1830, with a view to afford the utmost relief in their power to the lower orders of the agricultural and manufacturing classes, made arrangements to repeal the taxes on leather and beer, and subsequently, in order to lower the price of sugar, reduced the duty on that article by 3s. the cwt.

Against the tax on leather Adam Smith had urged, in the 'Wealth of Nations,' that inasmuch as leather is an article of prime necessity in this country, where all classes wear leather boots or shoes, it does not form a

Tax on
leather re-
pealed,

fit subject for taxation. The double duty imposed by Vansittart in 1813 had been taken off in 1822, but though the yield was now something under 400,000*l.*, all the vexatious regulations required for securing the duty continued in force. The repeal of this tax gave relief not only to the boot and shoe trade, but to the many important manufactures in which leather forms the raw material: the manufactures of saddles, gloves, portmanteaus, chair-covers, bookbinding, and, as more important than all, the harness for horses and the strap of the mechanic. Concerning the advisability of this repeal, there could be but one opinion.

and that
on beer.

The tax on beer had long been allowed to be extremely unfair. Limited in its incidence to beer brewed for sale, it fell on the poorer classes, who necessarily derive their drink from day to day from the victualler. They paid to the last drop in the pot; while the richer classes—noblemen, country gentlemen, clergy and farmers, and all such establishments as schools, colleges, &c.; in a word, all the well-to-do classes—evaded the tax by brewing at home. The practice was universal; and every kind of beer was brewed at home, not only such golden ale as sparkled in lord Yarborough's round glass goblets at Appuldercombe, and the ale brewed at the birth of the heir, for his coming of age—

When the huge ox shall yield the broad sirloin,
The ale, now brewed, in floods of amber shine,

but also the ale and small beer ordinarily consumed by the household servants and the field labourers employed on the home-farm.

Moreover, in consequence of the heavy taxation of beer brewed for sale the business of the common brewer had become almost a monopoly in the hands of a comparatively small number of brewers in large business, with the usual effects of a monopoly, which are to increase the price of the article monopolised and limit consumption. The returns for the duty showed, on an average for the twelve years, 1804-16, a consumption of beer brewed for sale not much in excess of the average consumption for the years 1708-20.

The objections to the tax on the ground of its unfairness had been pressed by Adam Smith, who, in his 'Wealth of Nations,' recommended the introduction of a composition for private brewing. But the practical difficulties in any reform in this direction proved insurmountable. During his long tenure of office, Pitt had frequently turned his mind to the subject, but never was able to form a satisfactory and feasible plan. His successor in the office of chancellor of the exchequer in 1806 introduced a proposal to tax private brewing, but was unable to carry it into effect. The people regarded the proposal as an attempt by Whitbread and his party to effect an entire monopoly of brewing in favour of the great brewers, and so strongly urged their opposition, that the proposal had to be abandoned, leaving the remembrance of this as one of the most unpopular of all that stream of new taxes which, in Gillray's page, flow in abundance from the 'Petty' fountain of the Coalition ministry. Lastly, among the memoranda prepared by

Spencer Perceval for the budget it was not destined he should live to introduce, was found a proposal to the same effect as that of lord Henry Petty. But though Vansittart, with short time to make up his budget, adopted in the main the plans of his predecessor, he dropped this suggestion, as likely to prove unpopular.

Goulburn now announced the intention of the government to repeal the tax and abolish the monopoly of sale enjoyed by the licensed victuallers, noticing, as additional arguments for the repeal, the liberation of the manufacturers from the numerous restrictions to which they were subjected under the existing law, which operated to enhance the price of beer, and the beneficial effects which would result from the abolition of the existing monopoly of the trade.

This proposal was resisted by the brewers and publicans, was disliked by the landed interest, who would have preferred a repeal of the duty on malt, and was opposed by some members as a measure likely to convert England into one huge tippling-house and spread throughout the country universal demoralisation. On the other hand, it had the approval of Althorp, Hume, and Huskisson; and eventually was carried, as from October 10, 1830. And, though the establishment of free trade in beer in over 31,000 'Tom and Jerry' shops, as the new beerhouses and shops were termed, was not generally regarded with favour, the repeal of the tax was very popular. This sentiment is expressed in the words of a song which,

in high favour at the time, continued to be sung when all remembrance of the beer duty had faded into the past, and the singer or any of the company would have found a difficulty in explaining the meaning of the refrain—

Loudly sing, God save the King,
For bating the tax on beer.

The popularity of a measure is not, however, always a proof of its advisability; and many persons who gave a careful consideration to our fiscal position in all its aspects, concurred in opinion that, in the circumstances, to say the least, the amount of revenue, no less than 3,000,000*l.*, involved in the repeal, might with advantage have been devoted to the abolition of taxes far more objectionable, and that, therefore, the measure was premature.

Lastly, as regards the reduction for sugar, which cost 450,000*l.*, it was urged that the reduction of the duties on this article and tea ought, certainly, to follow the repeal of the taxes on raw materials and manufactures and the reduction of the duties on tobacco and spirits.¹ But so far was this from the view of the government, that additional duties were imposed upon the distillery and rum, which produced in the following year, 1831, no less than 600,000*l.* Sugar.

The Beer Bill did not bolster up the falling administration. Weakened in popular estimation by the course they had taken on the Catholic question,

¹ Parnell, *Fin. Ref.* 4th edition, p. 55. See as to beer and cider, 11 Geo. IV. & 1 Will. IV. c. 51; leather, c. 16; sugar, the annual Act, c. 50; spirits, 6*d.* in England and 2*d.* in Scotland and Ireland, and 6*d.* on rum, cc. 48 & 49.

they were unable to stand against the impulse of the feelings which had been aroused everywhere by those unconstitutional ordinances of the French king, Charles X., which had cost him the throne. They now tottered towards their fall. Parnell had the honour of dealing the final stroke, unexpectedly, on November 6, when he defeated them by 19 votes on his motion to revise the civil list for king William IV. In consequence of this vote the ministry resigned on the following morning.

The old order was now about to change, giving place to new. 'Naught's permanent among the human race, except the whigs *not* getting into place,' Byron had written some years before this date, when the tories appeared to be in office for ever. But, at last, this long period of exclusion came to an end on the formation of a whig administration under the veteran earl Grey, in consultation with lord Lansdowne, the lord Henry Petty of the coalition ministry of 1806, and lord Holland.¹ Viscount Althorp, son of earl Spencer, at the particular request of his own and his father's friend, lord Grey, consented to take the post of chancellor of the exchequer with the lead in the Commons; and at his request, Poulett Thomson, afterwards lord Sydenham, was appointed vice-president of the board of trade, the real business of which was judiciously left to him by lord Auckland, the president. Parnell was not included in the ministry; for, though an acknowledged authority on matters of

¹ The administration included lords Melbourne, Palmerston, and Goderich, sir James Graham, Charles Grant, subsequently lord Glenelg, and, outside the cabinet, lord John Russell and mr. Stanley, afterwards the fourteenth earl of Derby.

taxation, he was not a powerful speaker. The only appointment offered to him he refused, as beneath his pretensions.¹

Lord Althorp, in every respect a model English country gentleman, was, by nature and education, in ability and in attainments, inclined and adapted to the duties of a country magnate, rather than to undertake, without any previous official training, the arduous and special functions of a chancellor of the exchequer at a critical period. But, with considerable skill in figures, and actuated by a strong desire to effect reforms in taxation, he applied himself forthwith with great energy and unwearied industry to this task, which he considered his party, in a manner, pledged to undertake, but more particularly himself, as head of the small party banded together for the special purpose. Assisted by Parnell's observations in his work on Financial Reform and by the advice of Poulett Thomson, who had a good deal to do with the suggestions in the budget, he prepared his fiscal plans for the year with great care, and opened a comprehensive budget on February 11, 1831.

1831.

His budget was a forced budget, and embodied proposals for fiscal changes too considerable for execution by any but a master hand. He proposed to repeal the taxes on the subjects stated below, producing the following amounts:—

	£
Sea-borne coal and slate	830,000
Printed calicoes and cotton	500,000
Tallow candles	470,000
Glass	600,000
Land sold by auction	60,000

¹ Subsequently, in 1831, he was appointed secretary at war.

Of these taxes, that on tallow candles, although not particularly heavy, was extremely objectionable in principle, on account of its operation as a check upon industry, and moreover was attended with peculiar difficulties of administration, particularly as regards the penalties imposed upon persons making candles without a license and payment of duty; while that on glass, reimposed, unfortunately, by Pelham in 1745, had crushed the manufacture.

In addition, there were to be reductions for newspapers and advertisements, to cost 100,000*l.*, and for tobacco, half the duties, at a loss of 800,000*l.*, in the hope of putting an end to smuggling.

Only 200,000*l.* would, however, be given up, in the financial year, upon candles, but, with this allowance, the total loss in the year was estimated at over three millions.

The impossibility of relinquishing so large an amount without some compensation to the revenue was obvious, and accordingly it was proposed to impose new taxes on —

Transfers of property, real and personal, 10 <i>s.</i>	£
per 100 <i>l.</i> , to produce	1,200,000
Travellers by steamboat, to produce	100,000
Raw cotton, imported „	500,000
Coal, exported „	100,000

And additional duties on—

Timber (Canadian), to produce	600,000
Wine, to produce	240,000
In all	<u>2,740,000</u>

This ambitious budget split to pieces on the question of the imposition of the tax on transfers. The

proposed tax touched transfers in the Funds, and on that ground was opposed by Peel, Goulburn, and all the other authorities on the subject of finance in the House. Pointing to the provision against taxation in the Loan Acts, they urged that the suggested tax was in violation of the plain terms of the contract made with the public creditor by the state. And Scarlett, the tory attorney-general, afterwards lord Abinger, went so far as to condemn the proposal as 'little less than a public fraud.'

Althorp was obliged to relinquish the proposed tax on transfers; that on passengers by steamboat, which, as a tax on the poorer class of travellers, encountered serious opposition from many quarters; the proposed addition for Canadian timber, which was vehemently opposed by the protectionists as an injustice to Canada; and that for wine, which was declared to be in violation of the provisions of the Methuen treaty.

Compelled to recast his budget, Althorp was eventually obliged to limit his repeal of taxes to those on (1) sea-borne coals and slate, (2) printed cottons and linen, and (3) candles.

Subsequently, the famous Methuen treaty having expired, Althorp was able to equalise the duties on all sorts of wine, except Cape, at 5s. 6d. the gallon.¹

The Methuen Treaty expires.

The reduction of the duty on French wine in 1825 had had the effect of increasing the import to more than three times the previous amount, and had afforded an instance of that *increase by means of*

¹ See as to printed goods, 1 Will. IV. c. 17; coals and substituted duties on exportation, slate, and new duty on cotton, 1 & 2, c. 16; candles, c. 19; and wine, c. 30.

reduction, which, as Pitt had noticed when speaking of the treaty with France, ‘though a paradox, experience had now proved to be more than practicable.’ On the present occasion, the reduction had little, if any, effect in increasing the consumption: the import of Champagne, Burgundy, and Bordeaux wine, or as we term it ‘claret,’ was already sufficient to meet the limited demand of the richer classes; the great class of consumers continued to prefer sherry and port—the wines of Xeres and Oporto.

Alteration of the Financial Year.

1832. Parliamentary reform now wholly engrossed public attention. The budget was postponed, and was not brought in until July; and the only point of special importance in the fiscal arrangements of the year was the alteration made in the limits of the financial year. Originally, the Financial Year ran from Michaelmas to Michaelmas, that being the time for holding one of the two full sessions of the old court of exchequer, when the sheriffs of counties and other accountable persons, having paid into the exchequer, at the Easter sessions, such instalment as was considered sufficient, paid in the balance of their receipts. Subsequently it was advanced a quarter, in 1800, when the limits were altered in accordance with a recommendation of the Finance Committee, who, observing that the public accounts were made up, in different departments, to different days in the year, urged the propriety of uniformity in the time for making them up, and suggested January 5 as a convenient limit, that being the day to which the annual accounts of the customs and those of

the general commerce and navigation of the kingdom were made up.¹ It was now advanced by lord Althorp another quarter, on the suggestion of the commission 'for examining into the method of keeping the public accounts,' of which Parnell was chairman. The commission observed that under the system then in existence of presenting the annual statement of the plan of supplies and means—or, as we term it, 'opening the budget,' in April, for a year which had commenced in the past January, estimates were proposed for a certain amount of expenditure which had, in fact, already been incurred without the sanction of parliament. And they suggested the removal of this anomaly by the approximation of the limits of the financial year to the ordinary budget time. Henceforth the year ran from April 5 to April 5. By means of the alteration Althorp was able to exclude an unfruitful quarter from the budget of the year.

In the reformed Parliament, Althorp introduced, April 19, a budget in which he proposed to devote a considerable surplus he had to the reduction of taxes falling on industry.

1833.

But first it was necessary for him to give his reasons for leaving untouched the much denounced tax on malt ; which he did by pointing to the improved yield as an indication that the tax did not then press heavily on the article taxed, and might, therefore, be put aside for the present, on the ground that other taxes more urgently required reduction.

Next, in order to explain the absence from his

¹ Twenty-third report, June, 1798.

budget of a proposition to reduce the duty on newspapers, in repetition of his suggestion in 1831, he announced a change in his views regarding this tax: he regarded it as one to be repealed rather than reduced. But the repeal would cost not less than 440,000*l.*, an amount which, in his opinion, it would be preferable to devote to the reduction of other taxes.

Eventually, the following reductions and repeals of taxes were effected:—

1. A reduction for property insured from sea-risk. This tax, originally imposed in the Great War professedly as a war tax, and subsequently raised to very high rates, had, during the war, when insurances could only be effected in England, proved very productive of revenue; but after the war, when England ceased to have a monopoly of the business of insurance, the excessive rates had the effect of driving business from the country. A reduction of the duty seemed necessary, not only on the ground of good faith, but also on the ground of policy, with a view to bring back to the country business that had been driven away.
2. The agricultural interest received a boon in the form of a special exemption from duty of all separate policies insuring agricultural stock from risk of fire.
3. In the interest of the shopkeepers, the duties on windows and on inhabited houses were reduced for shops, and the duty on receipts for under 5*l.* was repealed.
4. The duty on the vehicles termed 'taxed carts' was repealed.
5. Several classes of persons who under the pressure of the war had been fiscally enlisted as taxable 'servants,' were exempted

from the list into which they had been forced: viz., shopmen, warehousemen, storekeepers and porters; commercial travellers and hawkers; and bookkeepers, clerks, stewards, bailiffs, managers and overseers.¹

6. A reduction of the duty on advertisements was a benefit to all classes of persons. 7. The port duties on raw cotton imposed in 1831 as an equivalent for the tax on printed cottons then repealed, was abolished. Avowedly only a temporary tax, it had, moreover, brought in little more than half the estimated produce. 8. The tax on tiles was repealed as pressing hard upon the manufacture; and lastly, 9. in hopes of checking the illicit manufacture of soap, the duties were reduced by a moiety.² The yield was about 1,186,000*l.*, but due allowance was to be made for an increase in the manufacture as the result of lowering the duty.

The loss under the principal heads was, approximately:—

<i>Direct Taxes.</i>		<i>£</i>
Houses and windows, reduction for shops	.	224,000
Servants	.	59,000
Sea insurance	.	100,000
<i>Articles of Consumption.</i>		
Soap—half the duties	.	300,000
Cotton, about	.	250,000
Advertisements	.	75,000
Tiles	.	37,000

So that the amount of revenue given up was over a million.

¹ Producing 45,000*l.*, 4,500*l.*, and 9,500*l.*

² See as to houses and assessed taxes, 3 & 4 Will. IV. c. 39; cotton wool, c. 10; tiles, c. 11; advertisements, sea insurance and receipts, c. 23; and soap, c. 16. In this year, the part of the old land tax that related

The advocates for the repeal of the malt tax were not to be silenced by a mere statement that the improvement in the yield of the tax justified its retention at the existing rate. In the course of the session, sir William Ingilby brought forward in the house of commons a motion for the reduction of the duty from 1*l.* 0*s.* 8*d.* to 10*s.* the quarter, and carried it by a majority against the government of 162 as against 152 votes. Placed by this vote in a position of considerable difficulty, Althorp was compelled to meet this move of the malt tax repealers by taking advantage of a motion of sir John Key's to repeal the taxes on windows and inhabited houses. This motion stood for the 30th of April. On the 29th Althorp gave notice that he would move as an amendment to that motion, 'That a great deficiency of revenue would be occasioned by the reduction of the malt tax to 10*s.* per quarter and by the repeal of the taxes on houses and windows, which could only be supplied by the substitution of a general tax upon property; and that, as the effect of a step which would of necessity involve that course would be to change the whole financial system of the country, it would at present be inexpedient to adopt it.' For such a reconstruction of our fiscal system the country was not as yet prepared, nor indeed was Althorp the man to effect it. The amendment was carried by 355 to 157 votes.¹

to personal estates was also repealed, by c. 12. By the Act for the abolition of slavery in the colonies passed this session, c. 73, 20,000,000*l.* was granted in compensation to the owners of slaves.

¹ The ability shown by Spring Rice, afterwards lord Monteagle, in his speech in this debate marked him as the probable successor to the chancellor of the exchequer.

1834.

The course taken by Althorp on this occasion raised the hopes of the advocates for the repeal of the taxes on houses and establishments, and an agitation of unusual vehemence commenced which, in the result, induced the chancellor of the exchequer to make the house taxes the principal subject of his consideration for the budget of 1834.

But the question arose:—which of the two taxes on houses should be the first to go, the window tax or the tax on inhabited houses? The first undoubtedly was regarded by all authorities on questions of taxation as the more objectionable of the two, for many reasons, but more particularly as arbitrary and unfair in principle and detestable in its operation in preventing improvements in the dwellings of the poorer classes, whose health and vigour were thus injuriously affected. But the other tax, on inhabited houses, though imposed by North on the fair principle advocated in Adam Smith's 'Wealth of Nations,' that of a rate, was in practice far from fairly assessed. This fact pressed upon Althorp. He knew that the great houses, the Chatsworths, Blenheims, Longleats, Bowoods, Woburns, Belvoirs, Rabys, Stowes, and Hatfields—the castles, halls, houses, and courts of the land, and indeed all the country houses of the richer class, were comparatively lightly taxed as inhabited houses. It was assumed in assessment that the annual value to let of a large house was almost nothing, because, were the duke of Devonshire to endeavour to let Chatsworth, or the marquis of Bath, Longleat, the size of the

house and the expense of living there reduced the prospect of obtaining a tenant to a minimum. All the large country houses were, accordingly, as a fact, taxed much more highly, relatively, to the window tax than to the tax on inhabited houses ; and on this ground, viz., that to repeal the window tax would benefit more particularly the richer classes, upon whose shoulders that tax rested, Althorp now selected the tax on inhabited houses for repeal. The loss to the revenue was 1,200,000*l*.

In the same year three taxes of minor importance, condemned by the commissioners of excise inquiry, were struck out of our tax list¹:—1. That on starch, one of the excises reimposed in queen Anne's war with France. In order to secure the tax it had been necessary to subject to statutory regulation every part of the process of manufacture down to the skimming of the water and the stirring of the fire ; and, as it did not extend to Ireland, it was extensively evaded by the introduction from thence of starch smuggled in the shape of flour. 2. That on the manufacture of stone bottles ; which yielded so small a sum, that it seemed absurd to continue the supervision of the business, and 3. That on the beverages termed British wines or made wines. These *vina fictitia*, made from fruit of various kinds and sugar — orange, currant, raspberry, and other wines, formerly favourites with the middle classes, had fallen in public estimation since the reduction of the duty on Cape wine in 1814. People preferred a

¹ See 4 & 5 Will. IV. c. 77.

grape wine when they could get it at a moderate price. 4. The tax on almanacs was also repealed, and 5. there were some small assessed tax reductions. The loss to the revenue from the remissions, taking them in the order above given, was 91,000*l.*, 3,200*l.*, 2,900*l.*, 25,000*l.*, and 75,000*l.* Reductions for currants, raisins, oil and some other articles, and a repeal of the duty on coals exported in British vessels,¹ were estimated, taken together, to cost 200,000*l.*

A week after the budget, the marquis of Chandos, afterwards the second duke of Buckingham, known as 'the Farmer's Friend,' and the other malt tax repealers again attacked the government, and old Cobbett toiled up from the country to town to give what proved to be his last vote, in the division on the motion of Chandos for the relief of the agricultural classes. The motion was lost by only four votes, 202 voting against 206. When, however, later in the session, Ingilby brought forward a motion for a repeal of the malt tax, suggesting in lieu of this tax, additional taxes on spirits and wine, taxes on beer and leather, and some novel and singular taxes, on the peerage, baronets and knights, and gambling houses, his proposition failed to obtain the support of Peel, and his motion was lost by 170 votes to 271.

It was now clear that something more solid than fanciful taxation would be required to meet any deficiency in the revenue to be caused by the abolition of existing taxes. For some years past those best

¹ 4 & 5 Will. IV. c. 89. As to assessed taxes, see c. 73; almanacs, c. 57.

competent to form an opinion on the subject had been inclined to think that nothing short of the reimposition of a general tax touching property or income would prove to be sufficient to meet extensive alterations of this kind. And Parnell, who had been able to study the subject with peculiar advantages, had formed, and had recorded in his *Treatise on Financial Reform*, an opinion to that effect. The remissions of taxes since 1829 had settled the question. Commencing with the repeal of the taxes on beer and leather; continued in the repeal of those on coal, printed goods and candles; including other items of importance; and ending with the repeal of the inhabited house duty, those remissions amounted, in the whole, to considerably more than 7 millions,¹ forming, with the 24 millions from remissions in the years 1816-29, a total of 31 millions lost to the revenue since the end of the war.

	£		£
¹ Beer. . . .	3,000,000	Printed goods . . .	500,000
Leather	400,000	Candles	470,000
Sugar	450,000	Soap (half)	300,000
Coals	830,000	Houses	1,200,000

PART II.

FROM THE REPEAL OF THE HOUSE TAX TO THE RE-IMPOSITION
OF THE INCOME TAX. THE CHANCELLOR OF THE EX-
CHEQUER IN DIFFICULTIES.

1834-42.

Reconstruction of the ministry under Melbourne. Dismissal of Melbourne. Peel's four months' ministry. Burning of the Houses of Parliament. The old exchequer tallies. The second Melbourne administration. Spring Rice chancellor of the exchequer. Effect of the late inordinate repeal of taxes. Cheaper newspapers for the middle class. The chancellor of the exchequer in difficulties. The Bed-Chamber plot. Baring becomes chancellor of the exchequer. The percentages of 1840. Deficit for 1841. The timber and sugar duties. Defeat of the ministry. 'Fishing for a budget.'

THUS stood fiscal affairs when lord John Russell nearly upset 'the Reform Coach.' In consequence of the commission to inquire into the revenues of the Irish Church, Graham, Stanley, and Goderich, now earl of Ripon, resigned office. And, subsequently, when this resignation of the Canningites was followed by that of Althorp, who considered himself to be committed to a certain course in regard to the Irish Coercion Bill, of which he disapproved the clauses for the prohibition of public meetings, lord Grey at once announced in the Lords that the government was at an end. Melbourne, the secretary for the home department, was now sent for by the king, and desired to form, if possible, a coalition ministry of all the talents, inclusive of Wellington, Peel and Stanley. But the desired combination could not be effected,

and eventually the old government was reconstructed under Melbourne, Althorp returning to his post at the exchequer. Scarcely had this re-arrangement been completed, when the death of earl Spencer deprived the government of the assistance of Althorp in the Commons, and weakened them to such a degree that Melbourne thought it right to submit the circumstances of their situation to the king. This he did on November 13, and on the following morning the king placed in his hands a letter of dismissal, and sent for the duke of Wellington.

The duke, conscious that the battle would be in the Commons, advised the king to recall Peel from Rome, where he was on a visit at the time, and place him at the head of a new ministry. Meanwhile, pending the return of Peel, the seals of the chancellor of the exchequer were entrusted, according to the precedents of 1721, 1757, 1767, and 1806, to the lord chief justice, and the duke himself held, for the purposes of administration, the post of first lord of the treasury and that of secretary of state, in which capacity he transacted business for the home, the foreign, and the colonial departments. Peel hurried back from Rome. An administration was formed in which he held the two posts of first lord and chancellor of the exchequer, according to precedents that ranged from Stanhope to Canning. The new ministers dissolved the parliament; but the result of the elections was not sufficiently favourable to their party.

Meanwhile an unexpected use had been made of

certain fiscal instruments of considerable importance in former times. The TALLIES, by means of which business was transacted under the old exchequer system, sticks of willow wood, in length not exceeding five feet, and about an inch square, were of two kinds, and were used as receipts for money paid, or warrants for money to be paid : TALLIES OF SOL., short for 'solutum,' paid ; or TALLIES OF PRO, available *for* the person named. On these sticks the amount was expressed in notches (a very usual form of account in former times, as the provincial cricketer is reminded, who still 'scores a notch'), and the date and name of the payer, or the payee, as the case might be, in writing. Split in half through the notches, the tally of sol. became 'receipt' and 'counterfoil.'

It will be in the recollection of the reader that after the union of England and Scotland, the introduction of exchequer tallies into the northern part of Great Britain was the cause of no little amazement and amusement. But the hint was lost at the Treasury, and these antique fiscal instruments had continued in use until 1826. Since disused, they had remained stacked in safe keeping, bound together in bundles. The *Spectator* in his amusing vision of that fair virgin, Public Credit, says the bundles are 'like Bath faggots.' They had been used as faggots. Early in the morning of October 16, London had been in consternation. The houses of parliament were on fire ; and when the stupid work of an attendant, who had used the heating apparatus to

burn up the tallies, was complete, these buildings, dear to the nation from their association with many illustrious men, were no more. The calamity was not, however, without some attendant advantage, in the removal it effected of a house of assembly, which from the pictures we have of it, evidently was inadequate to meet the requirements of the larger attendance of members usual in the reformed parliament as compared with former times.

1835.

On the meeting of the new parliament in their temporary houses the ministers had to undergo a series of defeats. Defeated on the question of the speakership, on the address, on the question of the London University charter to enable them to confer degrees in arts and law, and more than once on the Irish Church question, Peel at last resigned, and Melbourne returned to power, with an administration which included lords John Russell, Palmerston and Glenelg, Spring Rice taking the seals of the chancellor of the exchequer.¹

April 8.

1836.

The inordinate repeal of taxes between 1830 and 1834 now began to have its effect. In 1835 there was no remission of taxes; but in 1836 Spring Rice was able to signalise his tenure of office at the exchequer by repeals and reductions of the duties on paper, at a loss of 400,000*l.*, and a reduction of the duty on newspapers to 1*d.*, which gave the newspaper, for the first time, to the middle classes.²

¹ Poulett Thomson was replaced in the post he had held of president of the board of trade, and Parnell became paymaster-general and treasurer of the navy.

² 6 & 7 Will. IV. cc. 52, 76.

Ever since the imposition of the tax on newspapers by the last tory government of queen Anne, these necessary vehicles of intelligence had proved, in war times, when an increase in the business occurred, an inviting subject for further taxation. The newspaper bore on the face of it traces of the various wars in which we had been engaged, as a shield bears the dints of the conflicts in which it has been used—Legge's additional stamp in the Seven Years' War, North's, of the war of American Independence, and a third, due to the great war with France. North and Pitt treated the newspaper as an article of luxury, to be taxed accordingly. But opinions had now altered. Althorp had only abstained from renewing, in 1833, the proposal to reduce the duty originally embodied in his budget of 1831, because he considered that the tax should be abolished. It now stood first in the whig list of taxes to be repealed. Some endeavours were indeed made to obtain, in lieu of the proposed reduction in this tax, a repeal of the tax on soap. Let the people wash and be clean, it was urged; it will do them more good than cheap newspapers to any amount; but such arguments were not allowed to prevail, and the tax on intelligence was reduced at a loss to the revenue of 300,000*l*.

The fiscal history of the next five years is the history of a chancellor of the exchequer in difficulties. The expenses of the Canada business, the yearly increasing cost of the army and navy, which amounted to fifteen millions and a half in 1841, as against eleven millions and three quarters in 1835, the deficient

1837.

harvests of 1838 and 1839, which followed the abundant harvests of from 1833–36, and the results of the over-trading of 1836 and 1837, which now began to be felt, all combined to produce this result. A series of deficits proved that our ministers had been too free in the reduction of taxation. For 1837–38 the deficit was about a million and a half; for the next year nearly half a million; for the next, nearly a million and a half; and for 1840–41, nearly a million and three-quarters.¹

Meanwhile, though the result of the elections to the first parliament of the Queen had rehabilitated to a certain extent the tory, or as they now were sometimes termed, the *conservative party*, the popularity of the young Queen carried the existing administration through the session of 1838. But when, in 1839, the ministerial majority on their Bill to suspend, for five years, the constitution of Jamaica, was only 5—294 votes against 289, Melbourne resigned, and advised the Queen to send for the duke of Wellington.

1839.

The duke suggested that Peel should be asked to form an administration, May 8, but after the somewhat ridiculous episode termed the Bedchamber Plot, the whig ministry returned to office, to totter on for another two years.

At the close of the session Spring Rice, greater as a man of figures than as a man of finance, raised to the house of lords as lord Monteagle, was succeeded in office by Francis Thornhill Baring.

The new chancellor of the exchequer, originally

¹ We lost a million and a quarter of revenue by the penny postage of 1839.

in the Grey administration a junior lord of the treasury, had, on the resignation of the Canningites, succeeded to the post of secretary of the treasury, vacant by the promotion of Spring Rice to the colonial office. Though acknowledged as an authority in matters of finance, he had not that confidence of the landed interest which was necessary for any minister who would attempt to reintroduce the income tax, had he been desirous so to do. His first attempt 1840. to mend matters was the simple method so familiar to North, Addington and Vansittart. To meet a deficiency of 2,732,000*l.* there would be a general rise, by percentages, in the port duties, the excise and the assessed taxes; and such had been the success of the reduction of the duty on spirits in putting down illicit distillation, that it was considered that spirits would bear an additional 4*d.* the gallon, and that amount was imposed upon imported spirits and the distillery. These additions would produce :—

	£
Port duties and excise, 5 per cent.	1,426,000
Spirits, 4 <i>d.</i> additional	485,000
Assessed taxes, 10 per cent.	426,000

The remainder of the deficiency was covered by a vote of credit.¹

The additional percentages of 1840 failed to pro- 1841. duce the amounts that had been expected; while under the head of spirits there was a decrease in the yield, due mainly to the prevalence of the principles of father Mathew in Ireland. In the next year there was

¹ As to customs, excise, spirits, and assessed taxes, see 3 & 4 Vict. c. 17.

a deficiency, for 1841-2, calculated at little less than two millions and a half. Of this, a considerable part was referred to extraordinary expenses. It was necessary, however, to provide an additional 1,700,000*l.* What should the chancellor of the exchequer do? Should he revive the tax on inhabited houses or any of the other taxes lately repealed? should he impose a tax on the new inventions—steam, for instance, or gas? He determined to reduce the protective duties on timber and sugar, hoping to obtain by this means 600,000*l.* and 700,000*l.*, or, in all, 1,300,000*l.* of additional revenue from increased consumption,¹ and throwing out a bait for the manufacturers, who were now pressing for the reduction of these taxes.

After an eight days' debate, the ministry were defeated on the Sugar Duty Bill, but they still held on to office, for lord John Russell had announced his plan for a fixed duty on wheat of 8*s.* the quarter, with proportionately reduced rates for rye, barley and oats, and the question of cheap bread appeared an advantageous question for the purposes of the hustings. In the House, so sudden a conversion of the ministers to an approach to free trade principles was considered only an additional reason for want of confidence in them. But a direct vote of want of confidence was required to move them. This was carried by a majority of one vote, 312 to 311, on the motion of Peel, on June 4, after which they dissolved the parliament and appealed to the country.

¹ The remaining 400,000*l.* was expected from corn.

The Fiscal Situation.

Among the materials useful to the compilers of history in England, not the least useful are to be found among those caricatures which represent the particular subject of importance at the time. Their object is to 'catch the manners living as they rise;' and if not trustworthy guides in every colour of the picture presented, they may safely be taken as evidence of the fact they represent, and the importance allowed to it at the time. At this date the pencil of political satire, if that be not too strong a term for touches of amusing criticism, was in the hand of the late Mr. Doyle; and, in expression of the situation of fiscal affairs at which we have arrived, it would be difficult to find anything more suitable than one of H. B.'s political sketches: 'An Unhappy Angler.'¹ It was inspired by a passage in Peel's speech in this debate on the sugar duties, where he said of Mr. Baring: 'It has been remarked that a good man struggling with adversity is a sight worthy of the gods. And certainly the right honourable gentleman, both with respect to the goodness of the man and the extent of his adversity, presents at the present moment that spectacle. Can there be a more lamentable picture than that of a *chancellor of the exchequer seated on an empty chest, by the pool of bottomless deficiency, fishing for a budget?*'

¹ 'Fishing for a Budget, in Tory waters,' No. 687.



BOOK IV.

THE REFORM OF TAXATION. 1842-70.

CHAPTER I.

FROM THE REIMPOSITION OF THE INCOME TAX TO THE
OUTBREAK OF THE WAR WITH RUSSIA, 1842-54.

CHAPTER II.

THE SUSPENSION OF REFORM IN CONSEQUENCE OF
THE WAR WITH RUSSIA, 1854-60.

CHAPTER III.

FROM 1860 TO 1870.



CHAPTER I.

FROM THE REIMPOSITION OF THE INCOME TAX TO THE
OUTBREAK OF THE WAR WITH RUSSIA.

1842-54.

Peel in power. His antecedents and position in the House. The political outlook, in 1841, by Campbell. The Budget of 1842. Reimposition of the income tax for four years. Revision of the tariff. Effect of the construction of railways on the revenue. The Budget of 1845. The income tax continued for three years more. Second revision of the tariff. Repeal of the taxes on glass and auctions. Repeal of the corn laws. Peel resigns office. Lord John Russell's first administration. The income tax continued for three years more. Sir Charles Wood's Budget of 1850. Repeal of the tax on bricks. Reductions in the stamp duties. House tax substituted for the window tax. Disraeli chancellor of the exchequer. The battle of the malt tax. Lord Derby resigns. Gladstone chancellor of the exchequer. The Budget of 1853. The income tax continued for seven years more. Succession duties on land. Third revision of the tariff. Repeal of the taxes on soap and advertisements. Revision of the taxes on establishments. Commencement of penny taxation. Taxes on insurance condemned.

WE have now arrived at a period of great importance and interest in our fiscal history. The whigs had held office, under Grey and Melbourne, with a short interruption, for ten years. They had repealed the old feudal game laws and reformed the laws relating to game. They had carried parliamentary reform. They had regulated the labour of children and young persons in mills and factories, to the great benefit of their health of body and mind. They had carried

1841.

the Municipal Corporation Act in reform of our municipal corporations, and by the Tithe Commutation Act had reformed the laws relating to the payment of the clergy. But in fiscal affairs they had proved a failure. Althorp was not successful as a finance minister, and the laxity in the application of financial principles that had been allowed under Spring Rice had brought the whigs financially into bad odour with every one. A succession of deficits alarmed the nation, enforcing the necessity of a reform in our fiscal system, and all eyes were turned towards Peel as the minister to accomplish it.

Born in February 1788, Peel was now in his 54th year. The son of the Robert Peel famous for his munificent subscription to Pitt's Voluntary Contribution of 1798, he had all the advantages which in every station, but more particularly in a political station, attend the possession of riches. After a distinguished career at Harrow, and at Oxford, where he obtained a place in the first class in the two schools of classics and mathematics, he began his political career as member for Cashel in 1809, and his official career, in the following year, when he was appointed to the post of under-secretary of state for the colonies; from which he was promoted, by Liverpool, in 1812, to that of secretary for Ireland. In 1817 he was returned a member for the university of Oxford. His next step on the ladder of promotion placed him in the high position of secretary of state for the home department, at the age of thirty-three, and he held this post from the time when Sidmouth re-

tired in 1822, until the dissolution of the Liverpool administration in 1827. The reasons that prevented him joining Canning have been before stated ;¹ and the death of Canning left him *facile princeps* in the house of commons. In the Wellington administration he had held, again, the post of secretary of state for the home department. Placed, by the advice of the duke of Wellington in the supreme post, after the dismissal of Melbourne by the king in 1834, he had held the post of chancellor of the exchequer with that of first lord of the treasury in a short administration from December 10 to April 8 following ; and when in 1839, on the resignation of the Melbourne ministry in consequence of their defeat on the Jamaica question, he had again received the command of the Queen to form an administration, he had found himself unable to do so in consequence of difficulties about the ladies of the bedchamber. During the long period that had passed since he first entered the house of commons, his reputation for mastery of details, sound practical sense and judgment, and financial ability had continued to increase, and it was now such as indubitably to mark him as the man to set matters right.

The result of the elections proved unfavourable to the ministry ; and when, after the meeting of parliament, amendments to the address were carried in both Houses, they resigned, and Peel received the command of her Majesty to form a ministry. His second administration, formed in September, included sir

¹ Ante, p. 284.

James Graham, lords Aberdeen, Stanley and Ripon, and the duke of Wellington. Mr. Goulburn was appointed chancellor of the exchequer, and William Ewart Gladstone, vice-president of the board of trade.

The political outlook was not encouraging for the whigs. 'Perhaps you may have some curiosity to know how the party bears the change,' writes Campbell, the future lord chancellor, in September. 'Stunned, in a state of stupor, with a feeling quite unlike Milton's devils' (he might have said, at least, fallen angels), 'awakening in hell, who were animated by revenge and meditated schemes to get in. Peel "bestrides the world like a colossus," and we are only "looking out for dishonourable graves." At Brooks's, "Hope never comes, that comes to all." "*Lasciate ogni speranza voi ch' entrate.*" The universal opinion is that the game is irrevocably up, and that the tory party will be in power for fifty years to come. Most of our men are gone to Scotland to shoot, or are flying abroad. The few who remain in London say there is no use in attending either House.' Thus wrote Campbell in 1841.

1842. Peel, having prepared his proposals with great care and deliberation, himself opened the budget in 1842, in a speech acknowledged by everybody to be a masterpiece of financial statement.¹ It was a time of high prices for provisions. There was much suffering among the poor. Manufactures languished. Employment was dwindling day by day, and chartism was on the increase.

¹ Greville, *Memoirs*, ii. 87.

Our fiscal position was as follows:—

Interest of debt including management and	£
terminable annuities	29,500,000
Army and navy	14,750,000
Civil list and civil government	4,700,000
Collection of revenue	2,767,000
Revenue from taxes	50,250,000
Surplus from post-office	300,000

As regards the amount under the head of interest of debt, when the terminable annuities ended there would be, *pro tanto*, a diminution of the annual charge. But this event was remote, and, on the other hand, allowance was due for contingencies. As recently as 1833, for the abolition of slavery, we had borrowed 20,000,000*l*. This might be treated as an exceptional case; but no such argument could be advanced in relation to the other large sums we had borrowed for expenses in Canada, China and India.

Interest
on debt.

As regards the other items of expenditure, since 1834, when our national expenditure was the lowest on record, it had been gradually increasing. The military expenditure indeed stood at about 8 $\frac{1}{4}$ millions, to exclude the special expenses relating to the insurrection in Canada, the war in Afghanistan, and the China (opium) war; but in the naval expenditure there had been a steady and considerable increase. It was now nearly 6 $\frac{1}{2}$ millions as against 4 $\frac{3}{4}$ millions for 1836. Nor was there any prospect of any diminution in the 14 $\frac{3}{4}$ millions under the combined heading. To preserve the integrity of the Ottoman empire and keep that feeble fabric from falling into pieces; to place obstacles in the way of

Army and
Navy.

the wave of Russian advance towards India; to enforce for our merchants at the far end of the world access into the penetralia of the Celestial empire against the will of its rulers; to suppress rebellions in remote colonies, while maintaining, at home, a force to represent strength sufficient to restrain from outbreak, disaffection in one, and chartism in another, part of the kingdom, these were expensive proceedings. In short, if our affairs were to be carried on upon a scale of such worldwide operations, it was abundantly clear that our military and naval establishments would not, in the future, meet the requirements of our policy at a reduced cost.

Civil
govern-
ment.

The cost of the civil government was increasing, and it was clear that it would continue to increase. The increase, in 1839, in the grant in aid of education and the formation of a department for education, was but the precursor of other measures which would be necessary to meet the requirements of a rapidly increasing population and modern civilisation.

Post
Office.

The reader is already acquainted with the position of the revenue; and, as regards the profits of the business of the Post Office, the return under that head had been reduced to practically nothing, by the introduction of the penny postage system in 1839.

In his budget arrangements Peel's distinct and defined object was 'to revive commerce and effect such an improvement in the manufacturing interests as would react on every other interest in the country;' and this he hoped to effect by means of commercial reforms, and more particularly by a reform of the tariff.

In order to enable him to do this with confidence and satisfaction, he proposed, for a limited period of four years, an income tax of 7*d.* in the pound, or nearly 3 per cent., on the model of the tax repealed in 1816, with the following exceptions:—

1. In lieu of the old exemption for incomes up to and including 50*l.*, with a graduated scale for industrial incomes between that and 150*l.*, a total exemption was allowed for incomes of every description not exceeding 150*l.* 2. The tax did not extend to Ireland, where the repeal of the assessed taxes in 1823 had abolished the machinery for the proper assessment and collection. In lieu of establishing a costly machinery for the short period of four years, the area of the tax was limited to Great Britain, and in Ireland an equivalent tax was imposed, in the form of an addition to the Irish stamp duties, which, previously less than those for Great Britain, were raised to an equal charge, and an addition of 1*s.* to the tax on the distillery. 3. In order to prevent the necessity of any disclosure of a man's circumstances to his neighbours the ordinary commissioners for the district, special commissioners, sworn to secrecy and acting as government officials, were appointed, to whom any taxpayer under Schedule D, the schedule relating to professions and trades, might, if so minded, make his return under seal, whereupon they would assess his profits for the purposes of the tax, and 4. Farmers were to be charged on a lower estimate of profit than heretofore; their profits were assumed to be an amount equal to half the rent paid, in England,

Income
tax.

and one-third the rent paid, in Scotland, instead of three-fourths and one-half, as they had been under the previous income tax. The tax at 7*d.* in the £, was estimated to yield 3,770,000*l.*

Revision
of the
tariff.

With this, as affording a fair ground to stand on, Peel was able to resume the work begun by Huskisson and Robinson, the process of the liberation of trade by the abolition and reduction of the duties on the importation of raw materials and articles in various stages of manufacture.

The customs tariff included about 1,200 articles ; reductions were to be made affecting 750 articles, on the following plan:—Where raw materials were retained in the tariff, the duties were to be low in amount, in some cases merely nominal. On all articles partially manufactured considerable reductions were to be made. In all cases of manufactured articles, the duties were to be reduced to a point not exceeding 20 per cent.¹ The amount of estimated loss to the revenue was 1,200,000*l.*

1843-44.

After this extensive reform, it could not be expected that the budget of 1843, which was opened by Goulburn, May 8, would present any feature of special interest as regards reduction of taxation. But in 1844 the excise on vinegar was repealed, and remissions of duty were granted for currants, coffee, certain sorts of glass, wool and marine insurances, involving in all about 400,000*l.*

The returns of the revenue for 1843-4 showed a considerable increase in the yield, and in 1845 trade

¹ 5 & 6 Vict. c. 47. The Act for the Tariff of 1842.

steadily improved. The consols which, at the accession of Peel to office, stood at 89, were now not far from par. Stagnation was at an end, for an outlet had been found for capital, which was now freely employed in the construction of railways all over the kingdom, and, to the advantage of the revenue, innumerable navvies were consuming spirits and beer in rivers, and tobacco in millions of pounds.

Soon after the meeting of parliament at the commencement of the year, Peel explained the financial plans of the government. About five millions of surplus revenue might be expected for the year 1844-45. For the next year, ending April 1846, a revenue of 51,100,000*l.* might be expected, which would include 2,600,000*l.* of arrears of income tax, the proportion payable during that financial year. This would be sufficient for fiscal purposes without the imposition of any income tax. But in the year after, ending April, 1847, if no income tax were imposed, there might be a deficiency.

1845.

He now advanced a step in his plans for fiscal reform, and asked the House to reimpose the income tax for three years after its expiration in 1847, 'in order to enable me,' he said, 'to make arrangements with regard to the general taxation of the country which will lay the foundation of great commercial prosperity, and materially add to the comforts even of those called on to contribute.'

The House, acknowledging that the prosperity of the country was due in no small degree to the fiscal improvements effected by their leader, and confident

in his sagacity and ability, followed his advice, and thus enabled him to effect a further reform in the tariff, and commence a reform of other taxes.

Second
revision of
the tariff.

This second revision of the tariff involved the removal of no less than 450 different items from the list, principally raw materials of manufactures :— raw silk and thrown silk, not dyed ; hemp, flax, and tow, beaver wool and cotton wool, hides, skins and furs, bark, indigo, barilla, potashes, palm oil, train oil and olive oil, unless imported in a ship of Naples, and furniture woods and other articles, some of them immediately, others at more deferred periods. And all duties on exported articles, including a duty on the exportation of coal imposed in 1842, were abolished.¹

Glass.

From the list of the excise, Peel selected for repeal the tax on glass. Twice in our history had a tax been imposed upon this beautiful and useful manufacture. The first tax, in the reign of William III., proved ruinous to the manufacture, and on that ground was repealed. After which the manufacture immediately began to revive. In 1746, Legge reimposed a tax on glass. ‘*Iterum crudelia retro fata vocant :*’ this tax, increased, as it had been by Pitt and Vansittart, had again crushed the manufacture. It was now selected for repeal, by Peel, for the reasons stated in the report on the subject made by the commissioners of excise inquiry : ‘No tax,’ they reported, ‘could combine more objections or be more at variance with all sound principles of taxation.’ It produced at this date about 600,000*l*.

¹ 8 & 9 Vict. c. 12. The Act for the Tariff of 1845.

The other tax selected for repeal was that on property sold at auction, imposed originally by North in the war of American Independence, a tax not only bad in principle, but from the numerous exemptions with which it had become overgrown, partial and unjust. The yield was about 300,000*l*.

Auctions.

In this year Peel decided to propose the repeal of the corn laws. He had adopted, at an early period of his public life, without much serious reflection, the opinions generally prevalent at the time among men of all parties as to the justice and necessity of protection to domestic agriculture. They were the opinions of Parnell and Ricardo, lord Melbourne and lord John Russell, as well as of the duke of Wellington, Canning and Huskisson. In 1841, he had come into office to maintain the principle of the corn law of 1815, for his motion of want of confidence had been aimed at lord John Russell's proposal for a fixed duty; and on that principle he had acted, having revised the sliding scale and otherwise improved the system. But the potato famine in Ireland forced him to open the ports, in order to supply food to a starving people; and the opening of the ports for Great Britain was but a corollary to that measure. Once open, the ports could never again be closed: 'The suspension of the existing corn law,' Graham had written to Peel in October, 'on the avowed admission that its maintenance aggravates the evil of scarcity, and that its remission is the surest mode of restoring plenty, would render its re-enactment or future operation quite impracticable.'

Repeal of
the Corn
Laws.

Having determined in his mind the course he would pursue on the subject of the corn laws, Peel consulted the cabinet, and finding a want of unanimity in the opinions of his colleagues, placed his resignation in the hands of the Queen on December 5. But, in consequence of the inability of lord John Russell to form a ministry,¹ he returned to office on the 20th, though without his former colleague, Stanley.

May 29,
1846.

The budget of 1846, introduced by Goulburn, involved the *repeal of the duties on corn* from February 1, 1849, leaving only 1s. the quarter, as in effect a registration duty. Imported cattle, sheep and pigs, beef, bacon and pork, excepting hams, other meat, salted and fresh, horses, and thrown silk, dyed, were wholly exempted from duty; and there were reductions for brandy to 15s. the gallon, timber, seeds, and nearly 100 other articles.²

Peel re-
signs
office.

Shortly after this, lord George Bentinck and his followers, who desired to show the world that the tory party would not sanction the continuance in office of Peel, a renegade from the party on the question of the corn laws, on the second reading of the Irish Life Protection Bill, joining with the whigs, the free traders, and the Irish catholic and liberal members, defeated the ministry by a majority of 73 votes on Thursday, June 25, the day on which the

¹ Lord John thought earl Grey l'homme nécessaire to lead in the Lords; but Grey refused to act if Palmerston returned to the Foreign Office.

² See, as to corn, 9 & 10 Vict. c. 22; the third reading of the Bill was carried by a majority of nearly 100; as to the other duties of customs, c. 23.

Act for the repeal of the corn duty arrived in the House with the royal assent.

When Peel resigned, he left office accompanied by a brilliant circle of followers, subsequently known as the 'Peelites.'¹ And the action of the tories in thus detaching themselves from him, on the ground of his conversion to the necessity of giving cheap food to the masses, placed that party in antagonism to the people and the spirit of the times, and was the main cause of their practical exclusion from office for the term of a generation, in lieu of the fifty years' tenure of power which Campbell had assigned to them in his prophecy of 1841.

In lord John Russell's first administration, formed July 1, sir Charles Wood, subsequently created viscount Halifax, was chancellor of the exchequer.

The failure of the potato crop in Ireland, and the high prices of provisions at home in consequence of a deficient harvest, would have caused this year to be exceptionally unfavourable to the revenue, had it not been for the prosperity due to the construction of our railways, and more particularly to the consumption of beer, spirits, tobacco, coffee, tea and sugar by the army of navvies now in occupation of the soil of England.²

Parliament met in January, in order to take 1847.

¹ The most conspicuous were Graham, Aberdeen, Gladstone, Sidney Herbert, subsequently lord Herbert of Lea, Cardwell, subsequently viscount Cardwell, Goulburn, sir George Clerk, and the earl of Lincoln, subsequently the fifth duke of Newcastle.

² In 1845 and 1846, 347 Acts of Parliament were passed, to authorise the construction of 7,654 miles of railway, at an estimated cost of over 190,000,000*l*.

prompt measures for the relief of Ireland, and sir Charles Wood, on opening his budget, found himself compelled to borrow eight millions to meet the probable expenses of the famine. The parliament of 1841 was dissolved in the autumn, and the new parliament met in November.

1848. As the fear of French invasion and the continuance of the Kaffir war were likely to prove sources of increasing expenditure, lord John Russell, following the example of Peel, himself introduced the budget, in February. Making the continuance of the income tax a political and parliamentary measure, as well as a measure of finance, he proposed to continue the tax for five years at the following rates—12*d.*, an increase of 5*d.* in the rate, for two years, and 7*d.* for the three subsequent years. But this proposal the government were obliged to abandon, and in the result the tax was renewed at the old rate of 7*d.* for three years, for Great Britain. The distress in Ireland formed a sufficient reason for not extending it to that country.

1850. Two taxes now stood before all others in the list of taxes to be repealed or reduced on the earliest opportunity: the window tax, long condemned by universal consent as a radically bad tax; and the duty on tea, which was allowed to be excessive in amount. But sir Charles Wood had not, in 1850, a surplus at his disposal sufficient to enable him to deal with taxes so considerable in their yield, and therefore selected for repeal another tax which, under the circumstances of the times, was probably not less open to objection than the window tax.

The tax on bricks, originally imposed by Pitt in 1784, though not perhaps so much open to objection as other taxes on manufactures on the mere ground of the adverse operation of the excise laws, had always been acknowledged to be partial in its operation as regards different parts of the country, in some parts of which there is, while in others there is not, any stone available for building purposes, and unfair, from its failure to touch the dwellings built by the richer class, usually of stone. But the gravest practical objection to the tax was its effect in increasing the price of the raw material for cottages, farm-buildings, warehouses, railway tunnels, and other constructions of that kind.

In addition, sir Charles proposed considerable reductions in the stamp duties, which still stood at the high figures to which, by a long succession of additions, 'regulations' and 'consolidations,' so termed, they had been raised in the Great War. During the thirty-five years that had elapsed since the war, the duties had practically remained untouched. It was acknowledged that the laws relating to them were of great complexity, and in that view several attempts had been made to reform and simplify them. Under the Liverpool administration more than once was a scheme devised for alleviating the pressure of the duties and amending the law. Subsequently, Goulburn had introduced a comprehensive scheme for consolidating the law. After this, Althorp appears to have, at one time, entertained a project for the improvement of the stamp laws, and lastly, in 1836,

Spring Rice had introduced a Bill for that purpose, but so cumbersome in size that it failed to pass through the House. All these plans had failed. Not only was the subject regarded as one bristling with difficulties; when a consolidation was mentioned, every opponent of the measure could point to the previous consolidations of Addington, of Spencer Perceval, and of Vansittart: 'Consolidate!' it was said; 'you mean to raise them.' On this occasion sir Charles Wood, *et dona ferens*—even with 300,000*l.* a year to give, experienced no slight difficulty in passing a measure of simplification and reduction. The repeal of the duty on bricks cost about 450,000*l.* of revenue; and eventually sir Charles was compelled to go further than he intended, and give up nearly half a million from stamp duties.

Unwillingly indeed did the House consent to the postponement of the repeal of the window tax; and later on in the session, the sanitary reformers, rallying to a vote on lord Duncan's motion to repeal the tax, obtained a practical victory in a division in which the government had a majority of only three votes. On the other hand, motions made in the same session, for the repeal of the taxes on paper, advertisements, marine insurance and malt, proved unsuccessful.

On the 29th of June, the day after the Don Pacifico debate on the policy of the government towards Greece, in which he had spoken, Peel, on his way on horseback up Constitution Hill, was thrown from his horse, and the accident proved fatal. The death of Peel left Palmerston, who had

Death of
Peel,
July 2,
1850.

greatly increased his reputation and popularity by his speech in the late debate, as the most prominent figure in the House.

In the following session the government were 1851.
only able, after a strenuous effort, to defeat Disraeli's motion regarding the alleviation of agricultural distress, really a protectionist resolution, by 14 votes; and the smallness of this majority, their defeat, by 100 votes to 52, on Locke King's motion for leave to bring in a Bill to assimilate the county franchise to that for boroughs, through the result of what is termed a snap division, and the disapprobation with which their budget—renewing the income tax and substituting another house tax for the window duties—was received, induced lord John Russell to resign. Feb. 21.
But he returned to office, March 4, in consequence of the impossibility of any other arrangement at the time; for the Peelites, while unable to join Stanley and the conservatives, who still pinned their faith to protection, could not coalesce with the whigs on account of lord John Russell's Ecclesiastical Titles Bill.

The budget was re-introduced in April. Sir Charles Wood adhered in the main to the proposals he had originally made; and in the event the income tax was continued, but in consequence of a motion of mr. Hume, who desired an investigation of the incidence of the tax by a committee, only for a year, in lieu of the three years proposed by the government.

The condemnation of the window tax pronounced effectively by the house of commons in the previous year was now carried into execution. Operating as a

restriction on air and light in the houses of the poorer classes ; difficult to administer, in consequence of the disputes that arose regarding what was and what was not considered to be a ' window ' ; and unfair in principle, inasmuch as the number of windows has no necessary relation to the value of a house and certainly is not a criterion of value equally applicable to houses in the country and houses in towns, this tax was to be repealed. But as the other claims for reduction pressed upon the chancellor of the exchequer could not be disregarded, and the surplus at his command available for the reduction of taxation was limited in amount, he was unable to give up the tax without some partial substitute. Accordingly he revived the tax on inhabited houses, hurriedly, or rather, unadvisedly as it was now acknowledged, repealed by Althorp in 1834, placing it, however, upon a narrower basis, with certain alterations and improvements which, in his opinion, freed the tax from objections which had been formerly urged against it, and treating the whole arrangement as, in substance, a reform in the taxation of house property. By this measure about 1,130,000*l.* of revenue was given up.

Another 176,000*l.* was devoted to a reduction of the duty on coffee, foreign as well as colonial, to 3*d.* the pound, in order to avoid the adulteration of coffee with chicory ; and another 286,000*l.* to the reduction, by a moiety, of the duties on foreign timber.

In December, a misunderstanding which arose between the prime minister and Palmerston regarding

an official expression of his approval of Louis Napoleon's coup d'état, which was considered to be in contravention of the instructions for the conduct of the secretary of foreign affairs laid down by the Queen in 1850, led to his dismissal from office. The administration, before it was thus weakened, had been gradually losing ground ever since the miserable arrangement of the preceding year, when lord John had returned to office simply because, at the time, a stronger administration than his own could not be formed; and in February, Palmerston had the opportunity of 'returning the compliment' to his late colleague. On a question relating to the militia, which lord John proposed to establish upon a local basis, he joined the Peelites, and they outvoted the ministry by 136 votes to 125. 1852.

Lord Stanley, who, in June, had succeeded to the earldom of Derby, now formed an administration in which Disraeli, who had succeeded to the leadership of the conservative party in the Commons on the death of lord George Bentinck in September 1848, held the post of chancellor of the exchequer.

The field was now clear for a trial of strength between the conservative and liberal parties upon fiscal ground; one side advancing, not indeed the banner of 'Protection,' but the banner of malt-tax repeal, and the other maintaining further reform in commercial taxation, and the abolition of the excises on manufactures, in a word, the policy of Peel. But the time for preparation of a budget was so brief, that the new chancellor of the exchequer, while

acknowledging the advisability of a general review of our whole system of taxation, stated, in his financial statement in April, that he was compelled to postpone his consideration of so wide a subject, and therefore simply proposed a continuance of the income tax for another year.

In July, the new ministry dissolved the whig parliament of 1847 ; and, after the general election in the autumn, Disraeli brought forward in the new parliament, December 3, his scheme for the improvement of the taxes, which he introduced in a speech of great width of grasp and power.

His plan was formed to hinge upon a proposal for the reduction of the duty on malt. This was the cardinal point ; but there were to be reductions also on hops and a gradual reduction of the duty on tea. This diminution of indirect taxes on articles of consumption was to be accompanied by an increase in direct taxation. The basis of the tax on inhabited houses was to be extended, so as to include all houses down to 10*l.* of value, on the ground that direct taxation should be general, as well as indirect taxation. The income tax, to be renewed for three years, was to extend to income of a certain description in Ireland, viz., income derived from investments in the funds and salaries of offices. The basis of the tax was to be widened by narrowing the limit of exemption ; and industrial incomes were to be taxed at a reduced rate.

The *battle of the malt tax*, for such it was, was bravely fought. The weak point for attack in the

budget scheme was the proposal to extend the basis of the tax on inhabited houses, in reversal of the policy of sir Charles Wood's measure of 1851; and in the event, the ministry were beaten, on this ground, on the morning of December 15.

Gladstone's speech on the budget proposals of the late ministry, had placed him in the foremost rank of English orators; and in the coalition ministry of whigs and Peelites, now formed under Aberdeen, he held the post of chancellor of the exchequer.

His speech on opening the budget, April 18, 1853, evidenced a commanding grasp of fiscal details of which Pitt and Peel were the only examples among previous chancellors of the exchequer. Continuing the income tax for seven years, at 7*d.* for the first two, 6*d.* for the next two, and 5*d.* for the three remaining years, he extended it to Ireland; thus taxing equally all parts of the United Kingdom. Extending the basis of the tax so as to include incomes between 150*l.* and 100*l.* a year, he brought within the charge fourteen millions and a half of income hitherto untaxed, taxing it, however, at the rate of only 5*d.* in the pound for the seven years. Professional incomes, hitherto charged with reference to the last year's profits, were placed upon the same footing as trade incomes, charged on the average profit of the last three years; and as the only feasible step in alleviation of the pressure of the tax on incomes of this sort and life incomes, an abatement was allowed in respect of premiums paid on life insurances, but not to exceed a sixth of the chargeable income.

The
Budget of
1853.

Succession
duties.

To meet the feeling prevalent in the House that the operation of the tax was severe upon intelligence and skill as compared with property, the best, safest, and most effective plan would be to extend to landed property and personal property in settlement the tax on successions. It was plain that the question of the settlement of the legacy duty which had been raised by Pitt in 1796, when he was unable to carry the proposal for adjustment he brought forward, was one that could not long be withheld from the consideration of the House. The tax was not just as it stood. It favoured landed property and settled personalty. Gladstone now proposed that the immunity from taxation of landed property and settled personal property should no longer exist. The amount ultimately expected from this extension of tax was 2,000,000*l.*; but the immediate produce, no more than 500,000*l.*

From these sources and an increase for spirits in Ireland and Scotland, a step towards the equalisation of the rates of the spirit duties throughout the United Kingdom, Gladstone provided for himself, after the manner of Peel in 1842, a firm ground on which to stand while making beneficial remissions of taxes.

Revision
of the
tariff.

Of these the most important was involved in a third revision of the tariff. The first revision by Peel, in 1842, had been effected at an estimated loss to the revenue of little short of a million and a quarter; the second revision, in 1845, at an estimated cost of three millions and a half. This third revision was to cost more than a million and a quarter; but this included a loss of 366,000*l.* on tea, the duty on which

was to be reduced, as Disraeli had proposed, by steps, the first of which, for the year ending April 5, 1854, was from 2s. 2 $\frac{1}{4}$ d. to 1s. 10d. the pound.

In the excise list the tax on soap, the last of the four taxes which Adam Smith had condemned as taxes on prime necessities of life in this country, was to be repealed; as the tax on salt had been, in 1825, that on leather, in 1830, and that on candles, in 1831. Since the reduction of the duties by Althorp in 1833, the consumption of duty-paid soap, previously almost at a standstill in consequence of the excessive duties, had enormously increased. The repeal of the tax would further increase the consumption. Habits of cleanliness would be promoted, to the benefit of the health of the people. A useful manufacture would be liberated from the trammels of the excise. And all the smuggling from Ireland and fraud consequent upon the limitation of the tax to Great Britain, would be abolished. The yield was 1,126,000*l*.

Tax on
soap re-
pealed.

The duty on advertisements was to be reduced; but eventually the House went further, and insisted upon a total repeal of this obnoxious tax.

In addition, the taxes on establishments, comprised in the group termed the assessed taxes, were revised. They included men servants, carriages, horses, dogs, hair-powder and armorial ensigns, and the law on the subject was complicated and bewildering. This indeed, is not unusual in the fiscal laws of the United Kingdom, or those of other countries. Voltaire, writing of taxing Acts in France, states that *a perusal of the Act is frequently as great a tax as the*

payment of any the Act secures. It is a question of degree. But, embodied, as they were, in about seventy-two different Acts of parliament, passed at different times during a long period of years, and containing definitions of charge, exemptions from charge, limitations of exemptions, and exceptions from exemptions, with a multiplicity of provisos, rules, regulations and directions drafted by various, and some apparently not very skilful, hands, the enactments on the subject of the assessed taxes formed a farrago of legislation of which language cannot give any adequate idea. Gladstone now applied the axe to this overgrowth of legislation, cutting away many exemptions, simplifying the law, and substituting for the existing obscure and complicated system comparatively simple regulations. Pitt's progressive scales of duty, increasing the charge for every subject of duty according to the number kept, were abolished, and new duties were imposed upon the principle of a fixed payment for every subject comprised in the establishment.

The mileage duty on travelling by post, which had become practically impossible to collect with any reasonable certainty, was converted into a license duty on the postmasters; and the tax on the hackney carriage business was reduced, in conjunction with a reduction in the fares.

Penny
taxation.

Another alteration in an existing tax in the stamps list, amounted in effect to the introduction of a new principle in the taxation of multitudinous transactions. The ad valorem duties on receipts for money,

originally imposed by the Coalition ministry in 1783, had proved, from the number of stamps of different amounts, in the highest degree inconvenient to the public, and therefore were extensively evaded. Adopting the principle of the penny postage, Gladstone now imposed a simple penny duty upon all receipts for 2*l.* or more, with permission to use an adhesive stamp. This principle of PENNY TAXATION was also extended to the documents termed scrip certificates, which were now for the first time charged with a duty.

Two taxes unequivocally condemned by Gladstone, that on property insured from loss by fire, and that on property insured against sea risk, he was precluded from touching on this occasion, only on account of the insufficient means at his disposal.¹

¹ Gladstone. Financial Statements, Statement of 1853.

CHAPTER II.

THE SUSPENSION OF REFORM IN CONSEQUENCE OF THE
WAR WITH RUSSIA.

1854-60.

Outbreak of the war. First taxes for the war. Palmerston in power. The Peelites resign office. Sir George Cornewall Lewis chancellor of the exchequer. War taxes for 1855. The treaty of Paris. Cost of the war. Remission of taxes. Repeal of the war ninepence of income tax. The Bill against conspiracy to murder. Defeat of Palmerston. Disraeli again chancellor of the exchequer. Abolition of the war sinking fund. Lord Palmerston again in power. Gladstone again chancellor of the exchequer. Rise in the army and navy estimates. The income tax raised from 5*d.* to 9*d.*

1854. THE calculations for the budget of 1853 were upset, and the course laid down for the reduction of taxation was impeded, by the outbreak of the war with Russia. This war forms an important standpoint in the fiscal history of the United Kingdom, as the beginning of a new state of things which involved an addition of about 10 millions to our national expenditure.

Peace in Europe, consequent, at first, upon absolute exhaustion of force in the Napoleonic wars, had been prolonged for more than the period of a generation. Enthusiasts were induced to imagine that human nature in the West had undergone, by means of civilisation, a radical change. They hoped and

expected that new facilities of intercommunication by means of railways and steamers, and the estimate of commercial advantages to be formed by the inspection of each other's goods at exhibitions such as that in Hyde Park in 1851, would operate to induce nations, in future, to settle their differences by way of arbitrament, in lieu of the old method of the sword and bayonet. And, in this sense, a popular song of the time ran:—

War in all men's eyes shall be
A monster of iniquity,
In the 'Good Time Coming.'

While in the West this feeling was gaining ground among our commercial middle class—a class whose political power had been greatly advanced by the Reform Bill of 1832—in the East, the affairs of the Turk, whom the emperor of Russia termed 'the sick man,' fell into a state of decline that seemed to prognosticate the dissolution of the Ottoman empire. The emperor, in order to place himself in a position of advantage in that event, had endeavoured to obtain a religious footing, so to put it, in the sick man's chamber, by the enforcement of his reading of one of the articles of the treaty of Kutchuck Kanardjii. Under this he claimed the right to regulate the welfare of a large portion of the subjects of the Sultan. A refusal to allow the claim was followed, in due course, by counter-remonstrance in a warlike form. And, in the result, a superior fleet of the Russians sank the Turkish fleet at Sinope. The news of the massacre at Sinope of 4,000 out of the 4,400 Turks in arms, aroused

a feeling in this country which sent us, in a state of inadequate preparation, into war with Russia, as allies of Napoleon III.

Warned by the precedents of former times, Gladstone determined to prevent, as far as he could, any aggravation of the national debt for the purposes of the war; and in that view, 'on the threshold, as it were, of the war,' urged upon the House 'the importance of resolving that, so far as might be possible, they would meet the expenses of the war out of taxation.' As regards the taxes to be imposed, he declined to restore the tax on soap, or to arrest the fall of the duty on tea, which would be to retrace the steps taken in 1853, and, therefore, placed for the present the whole burden on the income tax, which he doubled, at first for half a year, and subsequently for the whole year, providing for its continuance at the increased rate of 1*s.* 2*d.* until the end of the war.

This, and additional duties on articles of consumption, would produce the amounts following:—

	£
Income tax, additional 7 <i>d.</i>	6,614,000
Malt, raised from 2 <i>s.</i> 8½ <i>d.</i> to 4 <i>s.</i>	2,450,000
Spirits, addition for Scotch and Irish	450,000
Sugar, alteration in the duties	700,000
In all	<u>10,214,000</u>

Such was Gladstone's plan for war taxes in 1854. Before the next budget day, the seals of his office passed into other hands. In January the strong feeling aroused in the country by the breakdown of our army organisation in the disasters of the Crimea shook

lord Aberdeen and the secretary for the war office,¹ the duke of Newcastle, out of the administration ; and Palmerston, when he succeeded Aberdeen as prime minister, acknowledged the necessity of yielding to the general feeling of the country upon the question of the Sebastopol committee, the question upon which the coalition ministry had been defeated.² But his colleagues, the Peelites, Graham, Sidney Herbert, Gladstone, and Cardwell, could not, as they thought, consistently with their previous action, concur in giving way, and therefore resigned their posts.

Sir George Cornewall Lewis, the new chancellor April 20. of the exchequer, on opening his budget, met a deficit of 23 millions, partly by means of a loan of 16 millions, partly, by the issue of 3 millions of exchequer bills, and partly by additional taxes, estimated to yield the amounts following :—

Income tax, 2d. additional	£ 2,000,000
--------------------------------------	-------------

Taxes on Articles of Consumption.

Spirits, addition for Irish and Scotch ³	1,000,000
Sugar, 3s. the cwt. additional	1,200,000
Tea, 3d. the lb.	750,000
Coffee, 1d. the lb.	150,000

These would produce, in the current year, the four millions required ; but subsequently, when in full

¹ This now comprised the offices, formerly distinct, of secretary at war and secretary for war. The colonial office was made a single office in 1854.

² On Roebuck's motion, by a majority of 157. Neither lord Derby nor lord John Russell, who had lately resigned because his views as to the necessity of the presence of the war minister in the Commons were not carried out, could form a government.

³ This raised the rate for Scotch spirits to 7s. 10d., the rate for English spirits, completing the assimilation of the duties in Great Britain, and that for Irish spirits to 6s.

force, more than 5 millions, forming, with the tax of 1854, over 15 millions additional for the purposes of the war.

On the other hand, the question of the abolition of the tax on newspapers, which had been forced for consideration on the government by Milner Gibson's resolution in the previous year, was settled by the practical repeal of the tax from June 30.

Subsequently, in August, an additional 2*d.* on spirits raised the duty to 8*s.* the gallon in Great Britain, and 6*s.* 2*d.* in Ireland.

1856. The treaty of Paris to end the war was signed on March 30; and the deficit for 1856 was met by means of a loan.

The cost of the war was, in round numbers, 70 millions, of which 34 were added to the debt.

1857. The country was now described by Gladstone as being, while perfectly reckless with regard to expenditure, jealous with regard to taxation;¹ but Cornewall Lewis, on opening his budget in February, stated that it was his intention to limit his operations in that year to the taxes imposed in the war. The war duty on malt had expired July 5, 1856. There was no reason to repeal the additional duties on spirits; for by general consent it was allowed that, *in peace as well as in war, this tax should be kept at the highest rate the article would bear without encouragement to illicit distillation.* The duties on tea and sugar he proposed to fix for three years, at decreasing rates, somewhat higher than those settled before the war, but some-

¹ Gladstone, February 3, 1857.

what lower than those maintained during the war. As regards the income tax, the addition to this tax, 'the war ninepence,' stood in a curious position. In terms it was granted 'until the 6th day of April which should happen after the expiration of one year from the *ratification* of a definite treaty of peace.' The treaty of Paris, signed on March 30, was not ratified until April 27. Meanwhile the fiscal year for the income tax had terminated on April 5. In the event that had happened, we were saddled, legally, with the war ninepence until April 5, 1858. There was, however, a strong feeling against this extension of the war tax, which was regarded as not in the intention of parliament. To retain the ninepence would be what is termed 'sharp practice.' In deference to this feeling the rate was reduced at once to 7*d*.

Soon after this, the government, defeated on Cobden's motion in condemnation of their approval of the violent measures resorted to at Canton in the affair of the 'Arrow,' decided to wind up rapidly the business of the session and appeal to the country. Disputed questions of taxation were postponed: the fiscal arrangements were limited to the year; and parliament was dissolved on March 21. This appeal to the nation resulted in an increase in the number of Palmerston's supporters in the Commons; and in the new parliament the original proposal of the chancellor of the exchequer to fix the rates of the duties on tea and on sugar for three years was revived and adopted.

Parliament was summoned, early in December, to consider the requisite Bill of Indemnity to the govern-

ment for the suspension of the Bank Restriction Act,¹ and the Bill was passed; but, after the Christmas recess, the ministers were turned out of office on the question of Palmerston's Bill against conspiracy to murder.²

This Bill, introduced into the Commons after Orsini's attempt on the life of the emperor of the French, with a view to remedy a defect in our law, was rejected on the second reading,³ not from any want of sympathy with the emperor, or from any sympathy with Orsini in his dastardly attempt, but in consequence of the feeling aroused by the publication, in the official columns of the '*Moniteur*,' of certain congratulatory addresses of French colonels to the emperor. The colonels had stigmatised England as 'the protector and accomplice of sanguinary anarchists,' and had offered their services to 'get at these men, even in the recesses of their den.' This accusation was felt to be unjust, and the threat intolerable. 'Let them come,' said Mr. Roebuck in answer—'let them come; be it ours to see that none of them return!' Not even Palmerston's popularity could save from condemnation a measure that had the appearance of a concession to threats from France; and as the general feeling of the country concurred with the majority of the House, the ministers resigned.

¹ After the prorogation of parliament, August 28, the failure of several joint-stock banks and commercial firms, consequent upon the bank failures in America, caused a commercial panic; and in order to allay the prevalent alarm, the ministers thought it necessary to take this step.

² To make conspiracy to murder a felony instead of misdemeanour.

³ By 234 votes to 215.

Lord Derby now formed his second administration, with Disraeli as chancellor of the exchequer.

The deficit for 1858-9 amounted to nearly four millions. Of this, three millions and a half were due to the war sinking fund, and the question presented itself whether this obligation to redeem debt was to be maintained at the expense of an addition to the income tax? The answer of Disraeli was in accordance with opinions he had previously expressed. An advocate of the policy of the gradual extinction of the tax, he declined to take a step in the contrary direction. He therefore now repealed the Act for the war sinking fund, and re-borrowed the amount in exchequer bonds. An additional half-million, to be raised by an increase in the spirit duties in Ireland to 8s. the gallon, forming the final step in the process of the equalisation of the duties throughout the United Kingdom, cleared off the deficit. And a surplus was provided by means of a new penny duty on cheques drawn on bankers, estimated to yield the large sum of 300,000*l*.

No very long term of office could be expected for the Derby administration, who had come into power under peculiar circumstances, and notoriously were in a minority in the house of commons. After a defeat of 330 votes to 297, on lord John Russell's amendment to their Reform Bill, they dissolved the parliament and appealed to the country. The general election excited but little interest, for the attention of the public was fixed upon the battlefields in Italy, and the news of what the French colonels were doing

March
1859.

at Magenta and Solferino absorbed their thoughts. The ministry gained, indeed, some few seats, but met the new parliament without any accession of strength sufficient to enable them to resist their opponents, who, putting forward the young marquis of Hartington as a representative of the whig party, carried a motion, made by him, of want of confidence in the ministry, by a majority of 13 votes.

The difficulty of a choice between lord Palmerston and lord John Russell induced the Queen to send for lord Granville, the leader of the whig party in the house of lords ; but as lord John Russell declined to take office under him, while willing to serve under Palmerston, the latter again became prime minister. In a strong government, formed of whigs and Peelites, Gladstone was again chancellor of the exchequer.

June 18.

On opening his budget on July 18, he estimated the revenue for 1859-60 at 64,340,000*l.* and the expenditure at 69,207,000*l.*, showing a probable deficit of 4,867,000*l.* This was the result, mainly, of considerable additions to the army and navy estimates ; for our eyes were still upon the French colonels, and it was the year in which our great poet wrote,—

Let your reforms for a moment go ;
Look at your butts and take your aims.
Better a rotten borough or so,
Than a rotten fleet or a city in flames !

And while our ‘riflemen form’d,’ we were also hard at work in reforming and strengthening our navy, army and militia.

This deficit Gladstone met, partly by a reduction of the credit allowed to maltsters, and partly by

increased taxation. Considering that it would be undesirable to augment the duty on malt, that spirits would not at the time bear any higher rate of duty, and that tea and sugar still remained subject to part of the war taxation, while the war portion of the income tax had been struck off, he 'arrived at a point which could easily be anticipated. The divine faculty of an intelligent audience altogether outruns,' he said, 'either the power or necessity of a detailed statement. It remains to be considered what we shall do with the income tax.' And he proposed to raise the rate from 5*d.* to 9*d.*,¹ to produce an additional 4,340,000*l.*, forming, with the 780,000*l.* from the malt credit taken up, a total of 5,120,000*l.*, which would leave a surplus of about a quarter of a million.

Before proceeding to the next chapter, it may be well to place before the reader in the form of a summary—the amount of revenue given up by the repeal or reduction of taxes since 1842; the amount of additional taxation imposed; and the additional revenue derived from the increased productiveness of our principal taxes. It should be borne in mind that the yield of many contributories when expunged from the tax list had increased since 1842; and that, on the other hand, the yield of others still in the list had increased notwithstanding reductions of duty.

¹ The distinction between incomes of 150*l.* and more, and incomes under 150*l.*, originally allowed with a 7*d.* rate, but subsequently dropped when the rate fell to 5*d.*, was re-introduced.

SUMMARY OF PRINCIPAL ALTERATIONS IN TAXATION, 1842-60.

Taxes Repealed or Reduced.

Direct Taxes :—	£
Property sold at auction	300,000
Substitution of house tax for window tax	1,100,000

On Articles of Consumption :—

Imported Articles—

	£
1st revision of the tariff	1,200,000
2nd „ „	3,500,000
3rd „ „	1,250,000
Remissions, 1846	750,000
Timber, 1851, reduction	286,000—6,986,000

Manufactures :—

Glass	600,000
Bricks	450,000
Soap	1,126,000
Newspapers	450,000
Advertisements	180,000—2,806,000

Stamp duties—Revision in 1850 500,000

Total 11,692,000

Taxes Imposed.

Direct Taxes :—

Income tax at 9d.	10,000,000
Successions to land and settled money	601,000

On Articles of Consumption :—

Spirits, additional duties, the yield included below.

Total 10,601,000

Rise in Yield, under—

Direct Taxes :—

Probate and legacy duty	593,000
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Articles of Consumption —

	£
Malt	1,200,000
Spirits (home)	4,500,000
Sugar	1,200,000
Tea	1,250,000
Tobacco	1,600,000
Paper	770,000—10,520,000

Total 11,113,000

CHAPTER III.

FROM 1860 TO 1870. COMPLETION OF REFORM IN THE
PERIOD OF GREAT PROSPERITY.

Increase in military and naval expenditure after the break-up of peace in Europe. The course of reform resumed. The Budget of 1860. Income tax at 10*d.* The treaty with France. Fourth revision of the tariff. Reform of commercial taxation. Summary. Proposed repeal of the duty on paper. The lords reject the Bill. The spirit duty raised to 10*s.* Curious over-estimate of revenue for 1860-1. Repeal of the duty on paper. The last of the taxes on manufactures. Reductions of income tax and tea duty in 1863. Prosperity by 'leaps and bounds. Reductions in income tax and for fire insurance and sugar. Enormous surplus in 1865. Reductions in income tax and fire insurance. The tea duty reduced to 6*d.* Repeal in 1866 of the duties on timber and pepper. Defeat of the ministry. Disraeli again chancellor of the exchequer. Creation of new terminable annuities. The Abyssinian expedition. Disraeli prime minister. The first Gladstone administration. Lowe chancellor of the exchequer. The Budget of 1869. A windfall. The break-up of the assessed taxes. Repeal of the taxes on locomotion, except by railway. The income tax reduced to 4*d.* Half the sugar duties repealed. Consolidation of the stamp duties. The reform of taxation. Summary.

As has been before remarked, at the commencement of the last chapter, an all-important alteration in our fiscal position resulted from the Crimean war in this, —that, roughly speaking, the break-up of peace in Europe saddled us with an additional 10,000,000*l.* per annum under the head of military and naval expenditure. It cost us ten millions a year more to live as part of that armed camp into which the Western world had resolved its system. In these

circumstances it is both creditable to the nation and significative of its resources that it was willing and able to resume the course of reform in taxation.

1860.

The year 1860 was one of peculiar fiscal importance. Long annuities fell in, to the amount of 2,146,000*l.*, making a difference of that amount in the return of the annual charge for the national debt. The duties on sugar and on tea, producing 12 millions a year, determined on March 31; and the income tax, producing, at the 9*d.* rate, another nine or ten millions, on April 5; while by the Cobden treaty of commerce with the French imperial government, recently concluded, the government stood pledged to propose to the House remissions and reductions of duties on French wines, brandies and manufactures, involving nearly a million and three-quarters of revenue.

An early summons brought parliament to Westminster in order to consider the fiscal situation; and the first question put to the House, in committee of ways and means, February 10, by Gladstone, after he had traced the history of the commercial reforms effected of late years, was this—whether ‘we ought upon this occasion to say our necessities are too great, our means too small, to enable us to effect any commercial reforms.’ The answer, as far as the government were concerned, was given without hesitation: it was, in their opinion, the duty of parliament to make some onward steps in that career of commercial improvement which perhaps more than any other cause had contributed to confirm the prosperity

of the country and the security of its institutions, under the auspices of the sovereign beneath whose rule it was our happiness to live.

This bold policy, to advance notwithstanding obstacles, is rarely proposed in vain to Englishmen when they have full confidence in their leader; and if well-considered plans and a lucid statement of them can raise or can secure confidence, they were not wanting on this occasion.

Standing on the same kind of platform that Peel had secured for himself in 1842, an income tax of 10*d.*, a rise of 1*d.* in the rate as compared with that for the previous year,¹—from this firm standpoint Gladstone commenced his operations.

The most important was the fourth and final revision of the tariff. As regards articles touched by the commercial treaty with France, viz. on wine and brandy, and manufactured goods—for wine, the duty was reduced from 5*s.* 10*d.* the gallon to 3*s.*; and for brandy, from 15*s.* the gallon to 8*s.* 6*d.*, as equivalent to the rate for home spirits, while the duties on manufactured goods were wholly repealed, the principal items being—silk manufactures, and gloves; the others, artificial flowers, watches, certain oils, musical instruments, leather, china, glass, and others yielding only small amounts.

In addition to this treatment of articles touched by the treaty, the duties on timber, the principal

¹ Farmers' profits were to be charged at 5*d.* in the pound in England, that is to say, on half the rent paid, and in Scotland and Ireland at 3½*d.*, that is, on one-third of the rent.

differential duties still remaining in our tariff, were reduced for foreign timber, from 7*s.* 6*d.* and 15*s.* to the rates for colonial timber, viz. 1*s.* and 2*s.* the load, and for all furniture or hard woods to 1*s.* the ton. Reductions of duty were allowed for currants, raisins and figs, and hops, in connection with a reduction of the inland duties on hops. And butter, cheese, eggs, oranges and lemons, nuts, nutmegs, paper, in connection with the proposed abolition of the inland duty on the manufacture, liquorice, dates, and some minor articles were to be exempted from the revenue list.

The relief to the consumer from the reductions in connection with the treaty with France would be about a million and three-quarters; but the loss to the revenue in the year would be under 1,200,000*l.* The following were given as the items of loss, after allowing for increased consumption:—

	£		£
Wine	515,000	Gloves	48,000
Brandy	225,000	Other articles	114,000
Silk manufactures	270,000	In all	1,172,000

The loss from other remissions and repeals would be:—

	£		£
On timber	400,000	Eggs	23,000
Other remissions	250,000	Oranges and lemons	32,000
Butter	95,000	Tallow	87,000
Cheese	44,000	Other repeals	104,000

In all 1,035,000*l.*, though probably the loss would be reduced by an increase in consumption.

This measure, taken in the whole, formed a fourth revision of our tariff, and was practically the final

step in the reform of one of the most comprehensive and complicated lists of prohibitions and commercial restrictions, in the form of frontier or port duties, that ever hindered the development of the trade and manufactures of a nation.

Reform of our Commercial Taxation. Summary.

Every step in this reform of our commercial taxation had proved a fiscal success. Let us turn back through the records of the customs to 1835. More than ten years before this, Robinson and Huskisson had commenced, indeed, the reform of our commercial taxation, in the removal of restrictions and the reduction of the duties on several articles ; but the customs records are not complete for our present purpose, until they include the taxes on wine, foreign spirits, coffee, cocoa nuts, pepper, tobacco and snuff and tea, which were formerly excise duties, and the last of which, that on tea, was not transferred to the customs until 1834, when the monopoly of the East India Company ceased. And again, if we take the year 1835, we shall exclude from consideration Althorp's taxes on cotton and coal, which, imposed, in 1831, only for temporary purposes, were subsequently repealed, the first mentioned in 1833, and the other in 1834.

To commence with 1835. The gross yield of the port duties is returned, in hundreds of thousands, as 23,100,000*l.* ;¹ and six years after this, in 1841, including Baring's 5 per cent. additional, it stands as

¹ See Appendix No. 13.

23,800,000*l.* In 1842, Peel's first revision of the tariff, when he considerably reduced the duties on a number of raw materials and articles partially manufactured, was estimated to cost the revenue 1,200,000*l.* In 1844, the duties on wool were repealed, and reductions were made for several articles. In the next year, on the second revision of the tariff, about 450 articles were removed from the list, including many materials for manufactures—raw silk, hemp, flax and tow, barilla and cotton wool—and oil; and all the export duties were repealed, including the duty on coal imposed in 1842; and this sweeping measure of reform was estimated to cost the revenue no less than 3,500,000*l.* Next in 1846, cattle, sheep, and pigs, meat salted and fresh, and thrown silk were exempted, and there were reductions for timber and seeds. Then came Gladstone's first, the third, revision of the tariff, in 1853. A multitude of unproductive items and, as far as possible, all articles of manufacture except finished articles were now struck out; many differential duties were abolished by lowering the duty on the foreign article to the level of the colonial article; and many duties on articles that form the comforts of the mass of the people were reduced, more particularly the duty on tea. And this revision was to cost over 1,250,000*l.*

In all, the estimated loss to the revenue from these and other reductions and repeals of duties from 1834 to 1854, in excess of a large allowance for an estimated gain by the imposition or augmentation of duties, figures in the customs returns at no less than

9,250,000*l.* But such was the prosperity of the country, in a time of peace, in consequence of the development of the new railways, and also, undoubtedly, to a great degree in consequence of the introduction of so many improvements in our commercial taxation, that the gross income from the port duties in 1855-6 was about 300,000*l.* more than that for 1835. During twenty years the yield had scarcely varied.¹

This last revision completed the reduction of the number of the articles in the tariff from 1,200 in 1842, to 48, the principal contributories being (1) Five articles yielding from one to six millions: sugar, tobacco, spirits, wine, and tea; (2) four articles yielding from 200,000*l.* to one million: coffee, corn, currants, and timber; and (3) six articles yielding from 20,000*l.* to 200,000*l.*: chicory, figs and fig-cake, hops, pepper, raisins, and rice. Twenty-nine articles, though yielding revenue, were only retained on special grounds; five on account of countervailing duties of excise on domestic articles, and twenty-four on account of their resemblance to some one or other of the fifteen principal contributories to the revenue.²

In addition to this revision of the tariff, Gladstone proposed to repeal the duty on paper. It was somewhat invidious, he urged, to maintain this the only tax on an important manufacture still in our fiscal list, when every other duty of the same class had been

Paper
duty.
Proposed
repeal.

¹ First report of the commissioners of customs, 1857; and see Appendices, Nos. 12, 13.

² See the Tariff Act of 1860, 23 & 24 Vict. c. 110.

abolished. The law was rapidly becoming incapable of being administered without public scandal and discredit, such were the difficulties raised as to what was paper and what was not paper—as to what were sheets of fibrous substance and what were not. The repeal would promote a diffused demand for labour, and, in particular, a demand for rural labour. The enormous variety of purposes to which paper might, in one form or another, be applied, suggested that the trade was capable of an unbounded expansion. Artificial limbs, telescopes, boots and shoes, peaks of caps, panels of coaches, portmanteaus, teapots, and—who would have thought it?—tobacco-pipes could be made, and were made, of paper. Fifteen reasons for the abolition of the tax, embodied in short propositions, had been submitted to him by the agitators for the repeal, and the board of inland revenue, while declining to express an opinion upon two of the propositions, as in the nature of general propositions of political economy, concurred in opinion with the agitators as to all the other thirteen. This tax, already condemned by the House in 1858, was to be repealed ; and the loss to the revenue would be about a million in the year.¹

The Bill in which this proposal was embodied encountered considerable opposition in its various stages in the House. The papermakers put their case with remarkable ability and force ; urging, as a ground for protection against foreign competition, the peculiar position of the manufacture ; for the best sort of

¹ Gladstone, *Financial Statements*, p. 101.

paper could only be made from rags, of which the supply was limited, inasmuch as foreign nations placed the export of rags under a practical prohibition. At the same time, an uneasy feeling prevailed in many quarters that we had been extravagant in the repeal of taxes which could not be reimposed. In these circumstances the Bill passed by majorities which, decreasing at every stage, formed a ground for prolonged opposition to the measure when taken to the Lords. Here it was opposed, not only for the reasons urged against it in the Commons, but also as an inopportune repeal of a tax easy to collect and little complained against, unwarranted by the state of our finances; and in the event, a vote upon a motion of lord Monteagle proved fatal to the Bill.

Before the close of the session, an additional 2s. on the distillery, for the purposes of the war with China, raised the duty to 10s. the gallon; while in the Tariff Act the duties on foreign spirits and rum were raised to 10s. 5*d.* for brandy and geneva, and 10s. 2*d.* for rum, amounts equivalent to 10s. for home spirits.¹

Spirit
duty, 10s.

The yield of the tax on paper was about 1,350,000*l.*; and one of the grounds for the action of the Lords in refusing their assent to the repeal of the tax had been the belief that so large a sum could not be spared. Curiously enough the most remarkable point in the budget of 1861 was the *deficiency* announced to have occurred in the *estimated revenue* of the past year. Bad seasons, that is, bad harvests, cause bad budgets; and

1861.
Overesti-
mate of
revenue.

¹ 23 & 24 Vict. c. 110, the Tariff Act of 1860, and c. 129.

bad budgets, in that sense, are usually due to bad harvests : at any rate, the main cause of a difference of revenue in adjacent years is the harvest. Unconsciously the chancellor of the exchequer had speculated on the season. The considerable increase of revenue for the year 1859-60 had been due mainly to an excellent harvest. The produce of the customs had risen to nearly $24\frac{1}{2}$ millions ; that of the excise to over $20\frac{1}{4}$ millions. Upon the basis of this extraordinary yield the revenue estimate for 1860-1 had been formed. But a bad harvest followed, and, in the result, the customs produced 125,000*l.*, and the excise 1,926,000*l.*, less than the estimated yield. The details of the disappointment under the head of excise were as follows : estimate, 21,361,000*l.* ; actual receipt, 19,434,000*l.* ; loss upon hops, 300,000*l.* ; upon malt, 800,000*l.* ; and upon spirits, 910,000*l.* The chancellor of the exchequer had accepted the estimates of the responsible permanent heads of the revenue departments, who, unfortunately, had taken the yield of the revenue in a period of cheap corn as the basis of their estimate of the revenue in a year which might be, as it proved to be, a period of dear corn. The warning was not lost on Gladstone, though it will be found subsequently that a similar disappointment happened in 1867-8.

The expenses of the war with China were now at an end. There was a surplus of estimated revenue over expenditure, for 1861-2, of nearly two millions ; and as the government could not reasonably expect to be allowed to keep in hand so large a balance, the

chancellor of the exchequer announced that there would be a remission of taxation.

Four subjects would occur to the mind of every one as having claims to consideration—tea, sugar, the income tax, and paper. As regards tea and sugar, the duties on those articles did not, at that time, present a case attended with such great difficulty as to give them an urgent, imperative, and paramount claim upon the attention of parliament.

As regards the income tax and the duties on paper, if, as it had been contended in some quarters, the tenth penny on the income tax must be regarded to have been imposed in order to bring about the repeal of the duties on paper, and the two subjects were thus connected—'here,' said Gladstone, 'we are faced at once by the old controversy between direct and indirect taxation. I take some credit to myself,' he added, 'for never having entered, in this House, into any disquisition upon such a subject. I have always thought it idle for a person holding the position of finance minister to trouble himself with what to him is necessarily an abstract question, namely the question between direct and indirect taxation, each considered upon its own merits. . . . I never can think of direct and indirect taxation except as I should think of two attractive sisters who have been introduced into the gay world of London, each with an ample fortune, both having the same parentage (for the parents of both I believe to be Necessity and Invention), differing only as sisters may differ, as when one is of lighter and another of darker complexion, or

where there is some agreeable variety of manner, the one being more free and open, and the other somewhat more shy, retiring, and insinuating. I cannot conceive any reason why there should be unfriendly rivalry between the admirers of these two damsels: and I frankly own, whether it be due to a low sense of moral obligation or not, that, as chancellor of the exchequer, if not as a member of this House, I have always thought it not only allowable, but even an act of duty, to pay my addresses to them both. I am, therefore, as between direct and indirect taxation, perfectly impartial.' A penny off the income tax, reducing the rate to 9*d.*, would entail a loss, for the three quarters of a year of the tax included in the fiscal year, of about 850,000*l.*, every penny yielding at this date about 1,100,000*l.* The duties on paper would be repealed from October 1, so that the loss in the year would be only 690,000.¹

The Paper
Duty.

The total remissions for the year would leave a moderate surplus, of 408,000*l.*, which Gladstone appealed to the House to allow him to retain.²

On the repeal of the duties on paper—for on this occasion the proposition for the repeal, embodied in the Budget Bill,³ passed in the Lords—our tax list was, at last, clear of all detrimental taxes on manufactures. Soap, candles, printed cottons, leather, starch, the beautiful manufacture of glass, and bricks

¹ 15,000*l.* under the head of customs.

² Financial Statements. Statement of 1861, April 15, p. 187.

³ The House of Lords cannot alter, though they may reject, a money Bill.

—all these had been struck out, one after the other, in the order indicated : and now the sponge had made a final sweep, and the slate was cleared of every item of the evil score.

Supplementary grants made for various purposes, but more particularly the grant for sending the guards to Canada, after the seizure of the Confederate commissioners on board our West India mail steamer, the 'Trent;' a considerable excess in the sum we were called on to pay, in connection with the repeal of the duties on paper, for drawbacks on stocks of paper in hand, over and above what had been conjectured ; and a disappointment in the expected indemnity from China—these, taken together, caused for 1861–2 a deficiency of about 1,440,000*l*. The revenue, in the whole, had exceeded the estimate ; but on hops there had been a loss of 100,000*l*.

Many campaigns for the repeal of the duty on hops had been led against successive chancellors of the exchequer, by mr. Dodson, the member for East Sussex, subsequently lord Monk Bretton. Notoriously the tax fostered speculation and gambling in hops, and it was allowed to be open to serious objection, though, in the opinion of the chancellor of the exchequer, 'the case against the duties was much exaggerated by those who pleaded the cause of the hop-growers.' No means were at hand to enable him to repeal a tax which produced about 300,000*l*. a year, though the yield varied considerably in different years. He would therefore commute the duty for an increase in the duties on licenses for brewers. 'Aut 1862.

Caesar, aut nihil; it was a case either of commutation or of standing as we are.'

At the same time, a small license tax was proposed for private brewing, in houses of 20*l.* or higher annual value; but this proposition did not eventually become law.

In the budget speech, Gladstone thought it necessary to refer to 'an impression gone abroad in some quarters that the government had been guilty of a very unwise and excessive squandering of the public revenue by the repealing of taxes; that a great number of taxes had been repealed, to an amount much exceeding those which had been imposed, and that this was the cause which had made us so poor at the present moment.' There could be no greater mistake. Since 1859 there had been imposed taxes as follows:—

	Yield £
Income tax, 3 <i>d.</i>	3,300,000
Spirits, additional duties	1,400,000
Minor duties	650,000
Forming a total of	<u>5,350,000</u>

On the other side repeals might be taken as follows:—

	£
Port duties	2,840,000
Paper, hops, and minor articles of excise and assessed taxes	<u>1,460,000</u>
Forming a total of	<u>4,300,000</u>

'I do not,' he added, 'at this moment defend the policy which has been pursued; my object is only to state the facts.'¹

¹ Financial Statements. Statement of 1862, April 3, pp. 321–2.

As might be expected from such a statement, 1863.
the surplus for 1863-4, which was considerable, was devoted to the reduction of taxes.

It was now recognised as a governing principle in finance, that *taxes should be regarded as forming a system*, and that, when any considerable increase was required, or any considerable reduction became possible, 'we should have a mixed and joint regard for the two great descriptions of taxation—the attractive sisters' of the preceding Budget—the direct and the indirect. In this view Gladstone reduced, at the same time, the income tax from 9*d.* to 7*d.*, at an estimated loss within the year of a million and a half, and the duty on tea to 1*s.*, at the loss of 1,300,000*l.* This reduction for tea, he stated, was allowed to be, as far as we could see into the future, a final measure.¹ In revival of the old practice of granting some important branch of the revenue only from year to year, the tax on tea was henceforth to be an annual tax.

At this point in our history the revenue developed 1864.
in a marvellous manner. Notwithstanding the reduction for tea, one of the most important contributories in the customs list, the yield of the port duties for 1864 was only 800,000*l.* less than the yield for 1863; and, taken on the whole, the revenue was increasing, from its inherent vigour, at a rate exceeding a million a year. In consequence of a barley harvest of unparalleled excellency, the receipt from malt exceeded any known before, and showed an increase upon that

¹ Financial Statements. Statement of 1863, April 16, p. 384. A proposal that clubs should pay the same rate of duty as the occupiers of hotels was not eventually carried into effect.

for the previous year of 710,000*l.* Again, there was a surplus available for the reduction of taxes, in amount over $2\frac{1}{3}$ millions.

On the ground that a reduction of the duty on malt would be a boon almost exclusively to England, and that if the Englishman was to have his beer cheapened, the Irish and the Scotch had an equal right to cheaper whisky, Gladstone declined to touch that duty. He divided the surplus between direct and indirect taxes as follows : A penny off the income tax would reduce the rate to 6*d.*, at the cost of over 800,000*l.*, and there would be a reduction, by a moiety, of the tax on insurances of stock in trade from fire risk, leaving alone, for the present, the duty as far as it affected the insurance of houses ; this would cost 192,000*l.* more, making a loss of nearly a million on direct taxation.

The indirect tax to be reduced was that on sugar, an article which, in 'its importance to the comforts of the people, might be said to be next to corn.' The existing duty was a classified duty. The question whether there should be, in lieu of this, a uniform duty was a very difficult question, and it could not well be said that the classified duty was condemned by experience, nor was it condemned by authority. Adhering to the dividing points in the existing system, Gladstone reduced the rates, and added a fourth class for inferior sugars, chargeable with only 8*s.* 2*d.* the cwt. The cost of the reductions would be 1,300,000*l.*

1865.

The budget of 1865, introduced in a parliament in the sixth year of its duration, was framed, as might

be expected, upon popular lines. The magnitude of the expected surplus will long be remembered from a popular caricature of the time, which serves also to note the persistence of the agricultural interest in their demand for the repeal of the malt tax. The malt tax repealer is represented as standing, hat in hand, before the chancellor of the exchequer, and says, 'You don't happen to have six or seven millions about you, sir?' The chancellor answers, 'Yes, I do; and I mean to keep them about me!'

The arrangement of the 1*s.* duty on tea was final only in a fiscal sense, that is to say, as far as could be foreseen at the time. The duty was now further reduced, and Gladstone was able to go to the country with a larger packet of tea to be obtained under a 6*d.* duty in one hand, and 2*d.* taken off the income tax, reducing the rate to 4*d.*, in the other, besides an extension of the reduction of the previous year in the tax on insurance from fire, to insurances of houses.

The relief by these reductions—on tea, 2,300,000*l.*; income tax, 2,600,000*l.*; and fire insurance, 520,000*l.*, was, in all, 5,420,000*l.*, of which 3,778,000*l.* would fall in the year. 'I think, Mr. Bull,' says the chancellor of the exchequer in another caricature of the day, 'we may now reckon on *your* support.' In the picture a large bag of money is marked to show the amount of the estimated surplus, 4,000,000*l.*

This anticipation was not falsified in the result of the elections that followed on the dissolution of the parliament of 1859, in July. The success of the financial and commercial policy of the government

had great weight with the country ; and in the changes and chances of the elections, the liberal party lost 33 seats and gained 57, representing 48 votes on a division. The chancellor of the exchequer, indeed, lost his seat for the university of Oxford ; but was returned by the electors of the southern division of Lancashire for that division, while his rejection at Oxford was regarded with approval by the advanced liberals, who now looked upon him as their future political leader.

On the death of lord Palmerston in October, at the age of 86, his veteran colleague, earl, formerly lord John, Russell, then in his 74th year, became prime minister. The leadership in the Commons now devolved upon Gladstone.

1866.

On opening the budget, he announced a surplus sufficient to enable him to repeal the duty, 1s. the load, on timber, and that on pepper, which continued to foster the adulteration of that useful article of food ; to equalise the duty on wine in bottles with that on wine in the wood, and reduce the mileage on stage carriages and the duty on postmasters. The loss to the revenue would be :—

	£		£
From timber . . .	307,000	From wine . . .	58,000
„ pepper . . .	112,000	„ stage carriages &c.	85,000

Thus, in all, over half a million of revenue was given up.

At this date the Liberal majority in the Commons was reckoned at between 60 and 70 ; but subsequently, the secession of the ‘Adullamites,’ led by

Lowe, proved fatal to the ministry on the question of reform. In June they resigned office in consequence of their defeat, by 11 votes, on lord Dunkellin's amendment to the Reform Bill, making rating, in lieu of rental, the basis of the borough franchise. Lord Derby, after an unsuccessful attempt to construct a ministry on an enlarged basis including within it some of the 'Adullamites,' was compelled to form one out of purely conservative elements, and Disraeli returned to the exchequer.

The fiscal horizon was dark with clouds. The speculative mania and inflated commercial transactions of 1865 had been followed in 1866 by the inevitable reaction. A severe financial crisis, remembered more particularly in connection with the failure of the great discounting house of Overend and Gurney,¹ had resulted in widespread distress and commercial embarrassment. Our famous shorthorns, and Devons, and Herefords, and all the other herds of cattle in which our farmers take so much pride, were decimated by the plague. In Ireland, the Irish-American soldiers and others, forming what was termed, from an old Celtic and mysterious word, the 'Fenian' association, had raised an insurrection. In England, the reform question still continued to agitate the minds of men. A deficient harvest completed the darkness of the picture.

Notwithstanding this combination of circumstances 1867. inimical to revenue, such was the vital power of the

¹ May 10. The failure of this house caused a greater shock to credit than probably any other bankruptcy that has ever occurred. May 11 was termed, from the commercial panic, 'Black Friday.'

April 4.

nation that Disraeli was able, on opening the budget, to announce the unexpected news that the actual revenue for 1866-7 had exceeded the estimate of 67 millions by nearly $2\frac{1}{2}$ millions. For the coming year, there was an estimated surplus of 1,206,000*l*.

Of this amount, 750,000*l*. would be devoted to the reduction of the national debt. The policy of terminable annuities had been recognised and acted on for the last half-century. The falling in of Vansittart's 'dead weight' annuity of 585,000*l*. made it imperative on the government to consider whether they should pursue that policy; and, answering the question in the affirmative, he proposed to create annuities terminating on April 5, 1885, to the amount of 1,776,000*l*., in cancellation of 24 millions of debt. The total charge on the year 1867-8, from the conversion would be, as before stated, 750,000*l*., which would reduce the surplus to 456,000*l*. Of this, 210,000*l*. would be devoted to a reduction of the duty on marine insurance, leaving untouched a surplus of 246,000*l*.

And what, it will be asked, was done as regards the malt tax? The answer is that the malt tax repealers obtained, on the motion of colonel Barttelot, the appointment of a select committee to inquire into the operation of the tax, more particularly as regards its effects on the proper rotation of crops and the price of beer, and as to the fitness of malt for feeding cattle.

Parliament met in the autumn, in order to make

provision for the expenses of the Abyssinian expedition against king Theodore, to rescue the British prisoners.¹ A vote of credit of two millions was passed, and an additional penny on the income tax of the current year was imposed. This was done, at the suggestion, in the absence of the chancellor of the exchequer from illness, of Ward Hunt, the secretary to the treasury, who, when, in the following February, lord Derby, then in his 69th year, retired from public life and Disraeli succeeded him as prime minister, was appointed chancellor of the exchequer.

The actual income for the year 1867-8 showed a deficit on the estimate of 370,000*l.*; and the budget for 1868 involved an increase of twopence in the rate of the income tax, raising it to 6*d.*, to meet the expenses of the Abyssinian war, or, as was urged on the other side, to meet a permanent increase in expenditure. In November, the ministry, who had been defeated during the session by Gladstone, who carried the Irish Church Suspensory Bill against them by considerable majorities, dissolved the parliament of 1865, and appealed to the country. The result of the appeal was not favourable to the conservatives, and Disraeli, without waiting for another adverse vote in parliament, resigned office in December.

1868.

The whigs now returned to power under Gladstone, with Bruce, Clarendon, Granville, and Cardwell, as secretaries of state for the home, the foreign, the colonial, and the war departments, and Lowe, as chancellor of the exchequer.

¹ The expense of the expedition was 8,600,000*l.*

1869.

Lowe's first budget, of 1869, surprised even persons accustomed to sensational budgets:—By means of a change in the manner of collecting the income tax and the assessed taxes, which, by the acceleration of payment, increased the revenue for the year, he made for himself a surplus of 3,350,000*l.*; and 'what,' said he, 'shall I do with this windfall?'

He disposed of it in the repeal of the taxes on imported corn, fire insurance and locomotion, a revision of the taxes on establishments—the assessed taxes, and a reduction of 1*d.* in the income tax.

Duty on
corn re-
pealed.

The yield of the 1*s.* duty, or registration fee, retained for imported corn on the repeal of the corn laws, had increased from 561,000*l.* in 1849 to 900,000*l.* But 'the tax combined in itself all possible objections to a tax, and prevented the country becoming the great entrepôt of corn.' For these reasons it would be repealed.

Tax on
fire insur-
ance.

The tax upon property insured from fire had long been condemned. The repeal would cost over a million of revenue.

Taxes on
locomotion.

Four taxes were comprised under the head of taxes on locomotion. Of the quartet, the most ancient tax was the tax on hackney coaches in the metropolis, first imposed in the reign of William III. The second had originated in posting times, when North imposed upon posting—then a means of locomotion used almost exclusively by the rich—a tax for the purposes of the war of American Independence; to which he added subsequently, the third of these taxes, viz. a tax upon travelling by stage-

coach. Another tax of this description, attempted by Pitt, when he endeavoured to tax locomotion by way of navigations, as canals were then termed, ended in failure; and no better success had attended Althorp's project, in 1831, for a tax on travellers by steamboat: but he was more fortunate in another proposal, which he subsequently introduced, for a tax on passengers by railway, which formed the fourth in the list of taxes of this description. 'A tax on the means of locomotion,' Lowe said, 'is as bad a tax as any that can be devised.' And in that view, he proposed to make a clean sweep of these taxes.

In the event, however, though the other proposals of the Budget were carried into effect, the proposed exemption relating to railway travelling fell through or rather was revoked, in consequence of the refusal of the railway companies to accede to the terms upon which the offer of exemption was made. The loss to the revenue from the repeal of the three other taxes was 303,000*l*.¹

The taxes comprised in this group were those on carriages, servants, horses, hair-powder, and armorial ensigns; for racehorses had been removed from this system of taxation in 1856, certificates for sporting, in 1860, and dogs, in 1867. On the revision of these taxes in 1853, by Gladstone, the old system of returns and the old method of assessment and collection had been retained. The taxpayer made a return of his maximum establishment—that is, the greatest number

The As-
sessed
Taxes.

¹ Hackney carriages, 106,000*l*.; coaches, 49,000*l*.; post horses, 148,000*l*.

of carriages and other taxable subjects kept by him at any one time *in the previous year*, and on that return he was assessed *for the current year*.

No eye perceives the growth or the decay;
To-day we look as we did yesterday.

In this view the tax assessor and collector, act of parliament in hand, insisted on the charge this year by reference to the phaeton, men servants and horses of last year's establishment. So that the fourth instalment of the duty for, say 1865, might be payable in 1866—the fiscal year running from April to April—not *for*, but by *reference to*, an establishment kept but relinquished in May or June, 1864. This curious system had frequently formed the subject of complaint in times gone by; more particularly, as may be expected, in the year of Pitt's Triple Assessment. The 'retort courteous' in the 'Morning Post' to Canning's well-known 'Friend of Humanity and the Needy Knifegrinder' in the 'Anti-Jacobin,' illustrates the point in question. The speakers, H and C, are the Householder and the Collector of assessed taxes:—

H.—Take my last payment. There's your two pounds twelve Shillings and sixpence.

C.—Gentle Householder, much are you mistaken,
Order, Religion, Constitution, Laws, and
National Freedom all demand from you a
Triple assessment.

H.—Triple assessment! What, besides the old tax?

C.—Certainly. Come, deposit. I'm waiting.

H.—Wait and be d——d! what is it you are after?

C.—Ten pounds eleven.

H.—Ten pounds eleven! Have I not informed thee
Gig I have none? I've sent it to the hammer.
Pay for a gig when I've not had it! *C.*—But you
Had one at Easter.

H.—Easter is past and gone. I'll never pay thee, &c. &c.

The collector is therefore compelled to have recourse to what he terms 'a writ of distringer.'

This cause of complaint, therefore, still remained, and the injustice of the system became more prominent in times when the circumstances of individuals altered more rapidly than theretofore.

As regards the collection of these taxes, this was still in the hands of the local collectors; and complaints were made that many of them, in their proceedings, seemed to be more intent upon the advertisement of goods in which they dealt, than the collection of taxes, for which they left notes of demand that passed unnoticed into the waste paper basket, in consequence of their being mistaken for ordinary 'puffs' of tradesmen's goods.

The old assessed tax system was now abolished by Lowe. The antiquated tax on persons wearing hair-powder was repealed; and the taxes on establishments of carriages, men servants, horses and armorial bearings, with alterations of charge which amounted in effect to a reconstruction of every particular tax, were reimposed as license taxes, a change already effected as regards the tax on dogs. Henceforth, the taxpayer was required to take out, in January, licenses for his existing establishment, and, subsequently, should he increase his establishment, additional licenses to cover the increase.

The penny taken off the income tax reduced the rate from 6*d.* to 5*d.*, and, as the yield of a penny at this date was not far short of a million and a half, this amount may be taken to represent the eventual loss of revenue.

Three millions and a half of revenue were thus given up in 1869. And at this point, standing as we did in respect of taxes after Lowe's budget of 1869, we ought, in the opinion of many who had carefully considered our fiscal position, to have stayed our hand, leaving untouched the remaining branches of the pagoda tree. It is all very well to quote the legend of the golden bough, or the oak on darkly wooded Algidus, which—

*Per damna, per caedes, ab ipso
Ducit opes animumque ferro.*

No doubt a good deal of judicious pruning had been accomplished; but to go further would be to commence the work of destruction. Who could complain of the existing taxes? Was ever, in the history of the world, a large revenue so easily raised? And would it not be well to allow something to be done towards the reduction of the eight hundred or so of millions still scored up as our national debt? But the evil desire for immediate fruition which characterised the times would not permit the chancellor of the exchequer to keep a large surplus. 'Give! give!' was the cry of a people who had become accustomed, in a time of advance in the national prosperity by leaps and bounds, to expect a benefaction on budget-day as regularly as a postman expects a Christmas-box.

In the circumstances, it would hardly be human to expect a chancellor of the exchequer with a surplus on budget-day to be the first to cry, 'Hold, enough!' and accordingly, in 1870, Lowe continued the course of reduction of taxes by taking another penny off the income tax, and repealing half the duties on sugar. These remissions and a number of minor benefactions cost in all about four millions, the loss on sugar being put at $2\frac{3}{4}$ millions. 1870.

Later on in the year, a general consolidation of the stamp duties on instruments and the law on the subject was effected, though there was considerable difficulty in getting the Bill through the House. This accomplishment of a project which had been started over and over again to simplify the—

Law, grown a forest, where perplex
The mazes and the brambles vex ;
And if we miss our path and err,
We grievous penalties incur,

but which, in consequence of the difficulties it involved, had never yet succeeded, was facilitated by reductions of duty made under several heads, and more particularly a reduction under the comprehensive head of 'Deed not otherwise specially charged.' This duty, from the mustard-seed of 6*d.* in the original Stamp Act, had expanded into a tax of 1*l.* 15*s.* It was now reduced to 10*s.*

The break-up of the old assessed taxes, the repeal of the taxes on locomotion, and the consolidation of the stamp laws completed the reform of our taxation, already so far advanced by the revision of the tariff,

the abolition of the taxes on manufactures, the repeal and readjustment of several direct taxes, and the re-introduction of the income tax, by means of which these reforms had been effected.

The Reform of Taxation, 1842-70. Summary.

To sum up, briefly, the particulars of this reform, taking the taxes repealed or re-constituted under the leading headings of taxation to which they belong. They were repealed or reconstituted as opportunity offered; and it is not necessary to 'stand upon the order of their going.'

Direct
taxes.

Under the head of direct taxes, the income tax, originally imposed by Peel at the rate of 7*d.* in the £, now, 1869-70, stood at the rate of 5*d.* The taxes on houses had been reconstructed by the imposition of the inhabited house duty in lieu of the detrimental tax on windows; and those on establishments had been revised twice, and eventually reimposed upon improved principles. The unfairness of the taxes on property on a devolution in consequence of death had, to a certain extent, been remedied by the extension of the tax to successions to landed property and settled money. But the succession duty had not realised anything near the amount originally expected. Reform was still required in the probate duty: 'we are obliged at present to postpone it,' Gladstone had said in 1853, 'but we hope that, in a future and early year, it will come under consideration.' And the whole system of taxation under this head, including probate, legacy, and succession duties,

stood in need of careful re-arrangement upon a settled plan, which would remove the anomalies and injustice involved in the existing taxes. Briefly, these taxes were still pigeon-holed for revision. Lastly, the taxes on property insured from fire risk, property sold at auctions, and locomotion by means of coaches, post-horses and hackney cabs, had been removed from the fiscal list.

Under the head of taxes on articles of consumption, to take eatables first: as salt had previously to this been removed from the list, so now had imported corn, cattle, meat, fruit and pepper been removed. Free trade in sugar had been established by the equalisation of the duties on foreign and colonial sugar, and the duties had been revised, classified and, lastly, reduced.

Taxes on
consump-
tion.
Eatables.

Passing to drinks, and taking tea first, as in intimate connection with sugar—for the tea caddy and the sugar-bowl are usually found on the same table—tea was now taxed at the rate of 6*d.*, instead of more than 2*s.*, the lb. The beer-drinkers, having received in 1830 a benefaction of 3 millions, had hitherto failed to influence the legislature to repeal or reduce the duty on malt; but the duty on hops had been exchanged for a tax less objectionable in principle. There had been reductions of the excessive taxes on wine and imported brandy; but under the head of home spirits, the charge had been raised to the highest duty that could be imposed without risk from illicit distillation, with universal approval, and with a benefit to the revenue of more than 5 millions a year.

Drinks.

Tobacco. For tobacco, the duties had been equalised by Peel and reconstructed by Gladstone; and the result had been beneficial not only to smokers, but also to the revenue, by nearly three millions a year.

Other articles. As regards articles not eatables or drinks: coal, timber, cotton, silk, barilla, indigo, potashes, bar iron, hemp, furs and silk manufactures formed the principal items in a catalogue of considerably over a thousand imported articles, being raw materials, articles partly manufactured or manufactured articles, which formerly figured in the tariff, but had now been erased by Peel and Gladstone in the course of that reform of our commercial taxation, that revision of the tariff which had, before this period, been commenced by Robinson and Huskisson.

Manufactures. Looking at home, our manufactures had been liberated from the trammels of the excise. As leather, candles and printed goods had been exempted from the operations of the tax-gatherer before this period, so, during the period, had glass, bricks, soap, newspapers, advertisements and paper-making been exempted. They had been cast into the limbo of departed evil taxes where are to be found a number of minor taxes of various sorts also summarily dismissed—on starch, tiles, stone bottles, cider and perry, sweets and British wines, soda and potash water, vinegar and dice—some within, and some previously to, the period under review.

The following figures represent the approximate amounts of revenue given up by the repeal of the most important of the taxes before mentioned, and

the reduction of the duty on tea to 6*d* ; the increase in the yield of the principal taxes remaining in our fiscal list ; and the yield of the principal new taxes.

1. LOSS FROM THE REPEAL OR REDUCTION OF TAXES.

Direct Taxes.

	£	£
House, in place of window, tax .	1,100,000	
Fire insurance, 1864-5, 1869, rep.	1,700,000	
Marine insurance, red. 1867 .	210,000	
Auctions, 1845, rep.	300,000	
Coaching, &c. 1866, 1869, rep. .	380,000—	3,690,000

Taxes on Articles of Consumption.

Imported Articles, generally :

1st revision of the tariff, 1842 .	1,200,000	
2nd " " " 1845 .	3,500,000	
Remissions, 1846	750,000	
3rd revision of the tariff, 1853 .	1,250,000	
4th " " " 1860 .	2,250,000—	8,950,000

Particular Articles :—

Tea, 1857, 1863, 1865, red. . .	1,200,000	
Timber, 1851, 1860, 1866, rep. .	1,000,000	
Corn, 1869, rep.	900,000	
Pepper, 1866, rep.	100,000—	3,200,000

Manufactures, repealed :—

Glass, 1845	600,000	
Bricks, 1850	450,000	
Soap, 1853	1,100,000	
Newspapers, 1855	450,000	
Advertisements, 1853	180,000	
Paper, 1861	1,300,000—	4,080,000

Stamp duties—Revision, 1850 500,000

Total 20,420,000

2. INCREASE IN THE YIELD OF TAXES.

Taxes	1842	1860	1869	Increase
Probate and legacy	2,200,000	2,900,000	3,800,000	1,600,000
Malt	4,800,000	6,000,000	6,700,000	1,900,000
Spirits (home)	5,000,000	10,000,000	10,500,000	5,500,000
Do. (foreign)	—	2,400,000	4,200,000	—
Sugar	4,900,000	6,100,000	5,600,000	700,000
Tobacco	3,700,000	5,500,000	6,600,000	2,900,000
(1849)				
Stamps	2,500,000	—	3,100,000	600,000

3. YIELD OF NEW TAXES.

Tax	1842	1860	1869	Increase
Income tax at 5 <i>d.</i> producing nearly 1½ million per penny	—	£ —	£ —	£ 7,500,000
Successions, 1853 .	—	564,000	732,000	732,000

Lastly, if the reader be not wearied by figures, attention may be directed to the following schedule or table comparative of our position, in certain respects, in the years 1825, 1850 and 1870. It is given in confirmation of the evidence of prosperity afforded in the increased yield of our taxes, and needs no further comment.

	1825	1850	1870
Consumption of—			
Beer, barrels . . .	8,000,000 ¹	15,250,000	25,750,000
Spirits (home), gallons .	19,000,000	23,750,000	23,000,000
Spirits (foreign), gallons	1,250,000	2,250,000	8,500,000
Tobacco, lbs. . . .	16,750,000	27,500,000	41,500,000
Tea, lbs.	29,700,000	51,100,000	117,500,000
Sugar, cwts.	3,000,000	6,000,000	13,750,000
Imports (official value) .	37,500,000	105,750,000	(real value) 303,250,000
Exports	59,000,000	190,000,000	244,000,000
Shipping—			
Inwards, tons . . .	3,000,000	7,000,000	18,000,000
Outwards, tons . . .	2,500,000	7,500,000	18,500,000
Population	22,000,000	27,000,000	31,000,000
Bate of taxation per head	£ s. d. 2 9 3	£ s. d. 1 19 3	£ s. d. 1 18 5½
Yield of 1 <i>d.</i> of income tax	—	867,000	1,500,000

¹ England only, 1825.

BOOK V.

TAXATION DURING THE FIFTEEN YEARS,
1870-85



TAXATION DURING THE FIFTEEN YEARS, 1870-85.

Rise of the civil government expenditure. Cost of the education department. The ordinary expenditure, 1871. The original Budget of 1871. Prosperous state of the revenue. Deficit due to high army estimates. Proposed new taxes :—1. Probate and succession duties ; 2. Tax on matches ; 3. Income tax, increase by percentage. The proposals withdrawn. A budget of 'sweet simplicity.' The moral of the match tax. Lowe's great speech on the debt. The fiscal 'annus mirabilis,' 1872-3. A popular Budget. Sugar duties again reduced. Resignation of the ministry. Sir Stafford Northcote at the exchequer. The six millions surplus. The basis of the estimates of revenue. Reduction of the income tax. Repeal of the taxes on horses. Abolition of the sugar duties. Relief for local taxation. The new sinking fund, 1875. Yield of the spirit duty at a standstill. Rise in the income tax, 1876. The hundred and fifty pounds. Another rise in the income tax, 1878. Tobacco duties increased. Sequence of bad harvests. Disappointment on spirits and malt. The probate duty altered. Return of Gladstone to power. Tax on beer substituted for the malt tax. Alteration in the probate and legacy duties. Decline of yield from alcoholic liquors. Anxiety about the Navy. The Budget of 1885. An important question.

BEFORE we proceed in the course of inquiry as to 1871.
the alterations effected in taxation in the fifteen years
1870-85, it will be well to state at once that a new
feature will present itself in the growth in importance
of the expenditure under the head of the civil
government. This comprehensive heading includes
Law, Justice, Prisons, Police, Education with Science
and Art, the poor law board with sanitary officers,
and charity and other commissions, as well as the
older civil departments—the home, foreign and colonial
offices, board of trade &c. ; and the principal cause

of this rising importance will be the increase in the expense under the subheads of Prisons, Justice, and Education, the rise under the last-mentioned subhead alone being 3,250,000*l.*, in consequence of the Elementary Education Act of 1870 and the subsequent Acts on the subject. This increase in the expenditure on home arrangements forms the peculiar feature of the period on which we are about to enter, in the same sense that the rise of 10 millions in the expenditure on the army and navy consequent upon the break-up of peace in Europe, forms the peculiar feature, as regards expenditure, of the period of the reform of taxes from 1842–70. In the whole it will be found to be about 8½ millions.

The ordinary expenditure of the nation under the heads below given, had risen, at the date from which we start, to about the following level:—

	£
Annual charge for debt	26,500,000
Army and navy	26,000,000
Justice, police, and education ¹	6,000,000
Civil list and civil government, excluding the foregoing heads	4,500,000
Collection and management of revenue	2,500,000
Total	65,500,000
Revenue from taxation	64,000,000
Profits of the business of the post office	1,500,000

1871.

The stupendous events that happened in Europe in 1870 did not retard the rapid return to prosperity of affairs in the United Kingdom. Our commercial transactions, resting on the broad basis of business connections with all parts of the world, were not

¹ Including science and art.

injuriously affected by local disturbance, even of the grave character involved in the war between France and Germany. Never did the finances of the country give stronger evidence of vitality, soundness, and elasticity than was produced when Lowe, on opening the budget of 1871, showed the yield of the revenue for the past year to have exceeded the estimate by two millions and a quarter; the principal additional contributories having been the articles of general consumption, tea, malt, and spirits: tea to the amount of 592,000*l.*; malt, 431,000*l.*; and spirits, under the head of the distillery, 481,000*l.*, and foreign spirits, 233,000*l.*—in all, 714,000*l.*; so that the total under the three heads was 1,737,000*l.*

April 20.

These circumstances warranted a high estimate of the revenue for the coming year, though not one upon the basis of last year's receipt, which was unprecedented. But, on the other hand, the expenditure would amount to a high figure, due mainly to an increase of over three millions, to include the payment for the abolition of purchase, on the army estimates for the year. There would therefore be a deficit; and the amount was 2,713,000*l.*

Declining to increase the national debt by a loan for the purposes of the year, and assuming that the House would not assist him in doing away with many exemptions from taxation,¹ the repeal of which would raise a considerable sum, Lowe now brought forward the following plan for additional taxes:—

¹ Such as the income tax on dividends belonging to foreigners residing abroad, 70,000*l.*; charitable and collegiate funds, 50,000*l.*, &c.

1. The taxes falling on property on its devolution in consequence of a death, which were, it will be remembered, pigeon-holed for revision, would be extended and raised as follows: The probate and administration duties would be extended, by legal machinery, so as to apply to and include all property subject to legacy duty—that is to say, foreign property which, as not within the range of the jurisdiction of the courts of probate, never fell within the scope of a tax imposed by reference to instruments emanating from such courts. Secondly, the legacy and succession duties would be increased by raising the rates: sons and daughters, and lineal descendants, would be required to pay at the rate of 2, instead of only 1, per cent.; brothers and sisters $3\frac{1}{2}$, instead of only 3, per cent.; other relations at the increased rates of 5 and 6 per cent.; and no difference was to be made between realty and personalty, land and moveable property.¹ The proposed increase in these taxes would produce, eventually, 1,020,000*l*.

2. A new tax would be imposed, copied from an American tax, 'invented by that acute nation just at the end of the war,' on the manufacture of matches; and, to his astonishment when he was informed of it, was estimated to produce no less than 550,000*l*. This sum, added to 300,000*l*. the amount expected, in the fiscal year, from the taxes on property on a death, gave a total of 850,000*l*.; but at least 2,800,000*l*. was required in order to provide only a modest surplus.

¹ The succession duty, estimated, in 1853, to produce two millions, had produced but 752,000*l*.

3. The remaining 1,950,000*l.* would be raised by means of an addition to the income tax. At this date, the yield of every 1*d.* in the tax had increased, from 700,000*l.* in 1842, to over a million and a half. Only about two millions was wanted. What was to be done?

Precluded, in consequence of the alteration in the manner of collecting the tax made in 1869, when the collection was rendered annual instead of half-yearly—precluded, now that half-years in income tax were abolished, from following the precedents of former years, when an additional penny had been imposed for half a year, he proposed to effect the object he had in view by means which involved a change in the mode of assessing the tax. In lieu of a rate of so many pennies in the £, there would be a percentage. 6,100,000*l.* was the amount produced by the existing 4*d.* in the £, which is 1*l.* 13*s.* 4*d.* per cent. By increasing that percentage to 2*l.* 4*s.* the additional sum required, viz. 1,950,000*l.*, would be obtained.

The plan for new taxes thus proposed did not meet with a favourable reception. The increased rates for legatees and successors to property on a death were considered to be excessive. The proposed tax on the manufacture of matches was regarded as a step in reversal of the acknowledged policy of all recent fiscal legislation, and as calculated to be injurious to a poor class of people, whom it was cruel to crush out of existence unnecessarily, in a time of remarkable national prosperity. And, lastly, the alteration in the income tax, from the infinite labour and intricate calculations it would involve, proved

far more unpopular than would have been an additional 2*d.* on the old plan.

The chorus of universal condemnation with which the budget was received by the House and the country, induced the ministers to withdraw their original proposals. First, the match tax was dropped. Then, the proposed additions to the taxes on property on a death were given up. And, lastly, the first lord of the treasury had to intervene between the chancellor of the exchequer and his opponents, and, while adhering to the vital principle of the budget—that is to say, the principle of raising the revenue required for the year within the year—cancelled the proposal for a percentage on the income tax. In lieu of the elaborate scheme of the original budget, there was substituted an additional 2*d.* on the income tax, raising the rate to 6*d.*, in what Disraeli, in allusion to lord Eldon's remark about investments in the 3 per cents., termed a budget of 'sweet simplicity.'

The Moral of the Match Tax.

The danger of a general tax on property and income lies in the facility afforded by this description of tax for placing the whole weight of any additional taxation required in a particular year upon the backs of this class of taxpayers, by means of a simple augmentation of the rate. This it had been Lowe's object to avoid; and, in that view, he brought across the Atlantic the American tax with which his name was ever afterwards connected, an experiment which undoubtedly had no small share in diminishing the popularity of the administration. 'Ex luce lucellum'

had been the motto impressed upon the labels by means of which the tax was to have been collected : ‘a little gain from light.’ Instead of a little gain from the project, there had been little gain indeed. The dirge of the tax was sung by Mr. Jevons. All that could be said in its favour will be found in his pamphlet on the subject, and in that pamphlet he particularly directed attention to the cause of the proposal of the tax : ‘I am strongly inclined to regret the loss of two millions and a half of sugar duty. Could we have retained the old sugar duty undiminished, we might never have heard of the match tax ; and the moral with which I would finish is this : Let us, for the future, allow the chancellor of the exchequer to hold a larger surplus on hand, the produce of which will probably go towards the reduction of the national debt, and we shall then deprive him of any opportunity for imposing new taxes.’

Lowe's Great Speech on the Debt.

Not long after the settlement of the budget, the chancellor of the exchequer, in a remarkable speech in the House, strongly advocated the policy of continuing, in a time of peculiar prosperity, the system we had so long adopted for payment of the national debt, in lieu of the course which had been suggested, substantially, by an hon. member, who would have arrested the payment of the debt in order to reduce considerably the taxes on sugar, tea and coffee.

In the first part of this speech he pointed out the danger involved in the course of reduction of the few remaining indirect taxes now proposed. ‘The adop-

tion of such a proposition as that of the hon. member would have a prejudicial effect on the capital and resources of the country to an extent that could scarcely be conceived.' 'If you are going,' he said, 'to destroy all indirect taxation, where are the resources to come from to enable you to meet the requisite payments on account of the Debt, and to provide for the necessary expenditure of the country? It would hardly be possible to have a revenue sufficiently elastic to meet the burden of the public necessities. The Debt would remain, but the sources from which it is paid would be absolutely exhausted. If the tea and sugar duties were abolished, would any man believe that any government would be able, even in the case of an extreme and pressing necessity, to reimpose them, and if not, would not that by so much strike at the power of the country to meet the exigencies which a great nation like this is continually subject to? The result would be that whenever any great demand had to be made on the resources of the country, it must be made by direct taxation, and that up to a point making it most oppressive to those who would have to pay the taxation, and a greater evil also to the poorer classes than if they had to pay a certain portion of the amount required. If you try to carry direct taxation beyond certain limits, capital will make wings for itself and fly away.' Capital is the fund out of which the great mass of the people are maintained. 'Therefore, nothing could be more impolitic than to drive capital out of the country by any heavy system of taxation; and it would be far

better for the interest of the working classes themselves that they should continue to pay a moderate duty on the quasi-necessaries of life than that that credit by which this country alone exists, in its artificial state of society, should be destroyed.'

In a later part of his speech he drew for the House a picture of our national prosperity, fortified by statistics he had collected for the purpose; and on the ground of the singular prosperity evidenced by these statistics, made a forcible appeal to the House to continue the system adopted for the payment of the national debt—'protesting against the feeling that seemed to be gaining ground that all we had to do was to make things easy for the present, and disregard alike those who came before us and those who were to come after us.' Against 'English luxury,' as it was then termed in France, he was very severe: 'In France the idol of the nation is glory, and a miserable idol it is; but a worse idol than that is the individualism and selfishness which lead a man not to consider public questions with respect to the community of which he is a member or the interests of his fellow-men, but to confine himself within himself, and if he sees his way clear to pass his own life in tranquillity and ease to be content to let others shift for themselves. That was the danger of the time. The sinews of public morality and public duty are relaxed when people encourage a policy of selfishness.'

But this speech, which was subsequently printed, had little, if any, effect upon public opinion. Indeed,

from the wonderful picture of national prosperity it presented, which was recognised as correct and duly admired, was drawn a conclusion diametrically opposite to that desired: Shoulders so broad could, it was evident, bear any weight, and the existing debt of between 700 and 800 millions might rightly be termed 'a mere flea-bite.'

1872. The additional 2*d.* of income tax imposed in 1871 may be regarded as a temporary expedient to meet a temporary increase in the army expenditure; for in the next year, a productive revenue and economical estimates of expenditure gave a surplus of over 3½ millions, which enabled Lowe to reduce the rate again to 4*d.* At the same time, he extended the limit of income for abatement, from 200*l.* to 300*l.*, and increased the amount of allowance from 60*l.* to 80*l.*¹ In addition, 230,000*l.* was devoted to the reduction, by a moiety, of the duties on coffee and chicory.

1873. In February, the prime minister introduced in the Commons a Bill for settling the question of university education in Ireland. This did not prove acceptable to the English nonconformists, the conservatives, or the Irish members, catholic or protestant, and was thrown out, on the second reading. In consequence of this defeat, the ministers resigned; but, as Disraeli declined to take office with the existing house of commons in which he was in a minority, they resumed their posts, on March 30, with a House in which they still had a majority of about 90 votes, but weakened no doubt by the recent occurrence.

¹ The loss within the year was estimated at 310,000*l.*

This, doubtless, had a bearing upon their future action on that occasion for retrieving popularity known as Budget day. And never yet, since chancellors of the exchequer had chuckled over a surplus, had one of them occasion for self-congratulation more complete than opened out for lord Sherbrooke with the revenue returns for 1872-3, which proved to be the *Annus Mirabilis* of fiscal years. For him 'spirits' had poured into the exchequer a golden stream exceeding in volume the expectations of the last budget by 1,370,000*l.*; the hands of future barons and baronets had added from the beer-vat no less than 466,000*l.* over the estimate for malt; and, in all, there was an excess of incomings over outgoings of over 5 $\frac{3}{4}$ millions! A popular budget was to be expected; and a surplus of about 4 $\frac{3}{4}$ millions rendered such a budget an easy task. Before the recent defeat of the government, it had been hoped that the chancellor of the exchequer would be able, in the year, wholly to wipe out the evil score against us for the *Alabama* indemnity, which, under the Geneva award, amounted to 3,200,000*l.* But only a moiety was paid off in the year, and three millions of the surplus were devoted to the reduction of taxes.

In selecting the taxes to be reduced 'the government thought relief ought to be first applied to cheapening some article which entered largely into the food of the people, and sugar, among its other claims, was the delight of childhood and the solace of old age, besides being exceedingly nutritious and wholesome.' The duties would produce in the year,

if retained at the existing rates, 3,253,000*l.* Half would be taken off, and, allowing for increase in consumption, the loss would be 1,430,000*l.* Another 1,425,000*l.*, that being the amount that would be lost within the year, was devoted to a reduction of the income tax to 3*d.*

Some murmurs of regret were heard in the House from those who spoke with authority on subjects of finance, that the whole of the *Alabama* indemnity had not been paid off, and that the sugar duties were to be reduced so near to vanishing point. They could not forget that, on the last occasion of the reduction of these duties, the chancellor of the exchequer had said: ‘I wish it to be clearly understood that, in making the proposal, I am not preparing the way for either further reduction or for abolition,’ and that, in his great speech on the national debt, he had forcibly argued against the abolition of this duty and that on tea, showing the danger of removing these mainstays of our system of taxation. Nevertheless the budget was undoubtedly popular. On such occasions the people look only at facts, and—

Bless every man possessed of aught to give.

In the autumn several changes were made in the ministry, of which the most important, from our present point of view, was the appointment of lord Sherbrooke to the home office, leaving the seals of the chancellor of the exchequer to the first lord of the treasury, who now united in himself the two posts usually, in former times, held by a prime minister sitting in the house of commons, according to the

precedents of Stanhope, Walpole, Pelham, Grenville, North, Pitt, Addington, Spencer Perceval, Canning and Peel. But this rearrangement of the ministry had no effect in altering the result of the bye-elections as they occurred, which continued to be unfavourable to the liberals. At Exeter, in December, and at Stroud, early in January, seats had been gained by the conservatives, when suddenly 'along the line the signal ran' that parliament was to be dissolved. Jan. 23.

The measures passed by the ministry while in office, taken in the whole, formed a career of alteration and advance too rapid, in English opinion, for further continuation. This consideration brought to the poll many voters who in ordinary elections abstain from voting. The Elementary Education Act and the Irish University Bill had the effect of curtailing the nonconformist vote on the liberal side. In Ireland many of the ministerial candidates were successfully opposed by home rulers. The result of the general elections reversed the position of parties, giving the conservatives a majority of over 50 votes in the Commons. Gladstone resigned office before the meeting of parliament; and Disraeli succeeded him as prime minister, with sir Stafford Northcote as chancellor of the exchequer.

The surplus for 1874-5 was estimated at six millions, a result obtained by the complete adoption, the adoption to its fullest extent, of a principle which had been gradually acted upon in the framing of the estimates. In former times, when the world did not move so fast as it now moves, the practice had been

to take the yield of the revenue on an average of years as the basis of the estimate for the coming year. This was the rule, and only a chancellor of the exchequer with the wide grasp and intimate knowledge of fiscal affairs in all their bearings that Peel had, would have ventured to form an estimate upon any other basis.

After the rehabilitation of our fiscal system under Peel, the revenue acquired more certainty in its prospective yield, and a practice was adopted of taking the yield of the preceding year as the basis of the estimate for the coming year ; and this practice, notwithstanding the serious disappointment caused in 1860-1 by an estimate of revenue based upon the extraordinary yield of 1859-60, was subsequently maintained, though with considerable caution. The enormous expansion of business under the influence of the railway, the telegraph and free trade, and the rapid increase in our population, with a corresponding increase in the demand for sugar, tea, tobacco, spirits and beer—in a word, the prosperity of the country in days when wave of wealth followed wave of wealth in one long-continued tide ; the continuance of these golden days induced our ministers of finance to go a step further. They now took the estimate of the revenue for the coming year at a higher amount than the yield of the preceding year, to which they added a sum allowed for a yearly ‘increment,’ to use the fiscal term ;¹ and the new practice, notwithstanding the disappointment caused by the over-estimate of

¹ It is as old as the ‘*crementum firmae*’ of the exchequer rolls.

1867-8, had been maintained as a rule ; but never had the principle been fully adopted until this year, when the increase in the revenue was fully taken into consideration in framing the estimates.

In view of the probability of some such surplus as this, Gladstone had been able to offer to the constituencies a repeal of the income tax, if desired. Sir Stafford now devoted a portion of the surplus to a reduction of the rate of the tax to 2*d.* ; the repeal of the taxes on horses, licenses for horse-dealers and race-horses, which all had been condemned, as antagonistic to the improvement of our breed of horses, by lord Rosebery's committee of the house of lords ; and, the abolition of the tax on sugar. This tax, at the low rates to which the duties had been reduced in 1873, formed, in the opinion of the chancellor of the exchequer, ' a source of revenue which did more harm than it produced good, upon the whole.' The repeal would stimulate and support the commercial interests of the country, and there was ' a reasonable prospect that England might become the great entrepôt of the sugar trade.'

In addition to this, one million, to be increased next year to a million and a quarter, was devoted to the relief of the heavy local taxation of which the ratepayers complained. This amount would in future be added to the expenditure under the head of civil government ; and the contributions were to be :—1. In aid of the local rates for lunatic asylums ; 2. Towards the cost of the police ; and 3. Rates for government buildings.

The total amount given up would be 5,530,000*l.*, as follows :—

	£
In relief of local taxation	1,250,000
Taxes on horses, repealed	480,000
Sugar duty, repealed	2,000,000
Income tax, 1 <i>d.</i> taken off	1,800,000 ¹

1875. In the fiscal year 1874–5, under the influence of a bountiful harvest, the revenue, taken in the whole, exceeded the estimate by nearly half a million; tea being the principal additional contributory, to the amount of 320,000*l.*; and on Budget day in 1875, the chancellor of the exchequer was able to devote 60,000*l.* to a readjustment of the duties on brewers' licenses, for the benefit of the smaller brewers, and to make arrangements for the formation of a new sinking fund for payment of part of the national debt.

The New
Sinking
Fund.

The total amount of the debt was 775 millions; the annual charge for interest, &c., 27,215,000*l.*; and the plan of the NEW SINKING FUND was :—To raise the charge for interest, &c., in 1875–6, to 27,400,000*l.*; in 1876–7 to 27,700,000*l.*; and in 1877–8 to 28,000,000*l.*, which, thenceforth, would be the amount of the annual charge.²

The continuance of the rise in the yield of the duty on tea, while the yield from spirits had practically come to a standstill, marked our arrival at the point where the stream of expenditure from the rapid and considerable increase that had happened in the wages of labour, which hitherto had flowed in the channel

¹ In the year, 1,500,000*l.*

² The Sinking Fund Act, 1875. 38 & 39 Vict. c. 45.

of spirits, divided itself so as to spread through several other channels. The immediate result of a rapid and considerable increase in the wages of labour in this country has ever been an excessive indulgence in drink, and more particularly in spirituous liquors. With equal certainty a period of indulgence of this kind is followed by an adjustment of expenditure; for of saving there is little thought—and female influence prevails to divert a fair portion of the increased income of the wage-winner, to whom the first-fruits of success have not been denied, from extravagance to domestic purposes, in increase of the comforts of the house and the family—more meat, bacon, butter, tea and sugar, and boots and clothing. Henceforth those devil's leaps, the jumps in the yield of the spirit duty, of 800,000*l.* in 1872, of 1,500,000*l.* in 1873, and of 900,000*l.* in 1874, were a remembrance of the past, but no precedent for the future; though in tea, as in sugar, had it continued in our fiscal list, and in tobacco, we might still expect an increasing yield.

Accordingly, when the actual yield of the revenue for 1875–6 was declared, it appeared that of the million and a half by which it had exceeded the estimated yield, no less than 850,000*l.* was returned under the head of customs, which contains the items tea and tobacco; while under the head of excise, of which the most important item is spirits, there was a deficiency of 114,000*l.*

1876.

In 1876, in consequence of the increase under the plan of the new sinking fund and an increase, under the heads of army and navy, to 27 millions, and civil

government, including law, justice and education, to 13 millions, there was a deficit of 774,000*l.* Sir Stafford Northcote declined to interfere with the new sinking fund, and reimposed the penny taken off the income tax in 1874, raising the rate to 3*d.* But while raising the rate, he narrowed the basis of the tax by allowing, under the 3*d.* rate, a total exemption for incomes under 150*l.*, similar to that under Peel's Act of 1842, when the tax was at 7*d.*, which had subsequently been cut down, by Gladstone, in 1853, when the rate was reduced prospectively to 5*d.*, to 100*l.* of income; and he extended the limit of chargeable incomes entitled to an allowance on assessment from 300*l.* to 400*l.*, and the amount of allowance from 80*l.* to 120*l.* In allusion to the extension of the limit of exemption, the prime minister and the chancellor of the exchequer were caricatured as two anglers fishing out of the same punt, and one of them says: 'Aha! dear boy, that's the sort of bait to catch the hundred and fifty pounders. What sport we shall have!'

1877-8. This prospect of sport was darkened in the events that occurred. An uneventful, or as the chancellor of the exchequer put it, a ready-made Budget in 1877 marked the point at which our advance in prosperity by leaps and bounds came to a standstill. A bad harvest supervened. The estimates for the next year showed an increase of expenditure of about two millions, of which, part occurred under the head of army and navy, and 834,000*l.* under the head of civil administration, including an increase in the education vote and a new head of expenditure for the *cost of prisons* lately transferred to the state.

Sir Stafford Northcote was now obliged to impose an additional *2d.* of income tax, raising the rate to *5d.* The rate now stood at the same figure as the rate for 1869-70; and to compare the fiscal list of the two years, the contributories missing in that for 1878-9 were sugar, which produced about six millions, horses, producing about 400,000*l.*, and half the duty on coffee. 1878-9.

Bearing in mind the now accepted rule that taxes are to be considered in the whole as forming a system, and that, in raising or in lowering taxes, a joint regard should be paid to direct and indirect taxation, it was to be expected that an increase would be made, simultaneously with this increase in the income tax, under some head of indirect taxes. The head selected was tobacco, and the amount of the increase, *4d.* the lb. An increase in the tax on dogs, from *5s.* to *7s. 6d.*, accompanied as it was by an exemption from tax for sheep dogs, had little effect on the yield.

Parliament was now in the sixth year of its existence, a time when the party who are in, and the party who are out of, power begin to make arrangements preparatory to the ordeal of the hustings, and in plan and promise rarely fail to bear in mind Burke's maxim, that 'to tax and to be loved is not given to man.' It is known how telling at a general election is a good budget for the 'ins,' and how useful a bad budget to the 'outs.' The importance of a sixth-year budget is acknowledged, for it may be, and usually is, the last before the dissolution. 1879-80.

The returns of the produce of the revenue published in the morning papers, in accordance with

the practice established by lord Sherbrooke in 1870, afford, when compared with the votes of the estimates in the House, an easy means of forming a tolerably accurate forecast of the budget arrangements, and from the knowledge thus acquired of the fiscal position, as we approached the budget day of 1879, a chill seemed to pervade the atmosphere for the tory party, while the whigs exulted in the thought that not only would it be impossible to take off taxes, but that some additional taxation would be required: 'They will never,' it was said, 'be able to manage without *another* additional 1*d.* of income tax.'

But the government did manage without the penny. A high estimate of revenue was taken, and the only increase in taxation was an additional import duty, of 2*d.* the lb., for cigars and manufactured cocoa. 'Never shall I forget,' said an eye-witness, 'the looks of disappointment to be seen on glancing along the line of occupants of the front bench on the other side of the House.'

As before observed, the ministry had adopted, since their advent to power, the principle of taking into consideration, in framing the yearly estimates, the full expected increase of revenue; and in lieu of the decrease of debt by the amount of under-estimate for the year which would result from the adoption of less sanguine estimates, had established a new sinking fund. In principle, a word cannot be said against the practice of a full estimate; in practice, it is not free from danger. For who can be sure of the

sun in England? A bad season, a deficient harvest, may fail to float the chancellor of the exchequer up to the mark of his high estimate, and, landed at a lower level, there he stands, looking, to say the least, like one of those who 'listen with credulity to the whispers of Fancy and pursue with eagerness the phantoms of Hope.'¹ And so it was on this occasion. The assumption of the advisers of the chancellor of the exchequer that, after two very bad harvests, nature would come to the rescue and the sun again appear, was not unnatural; nor was it unreasonable; but it was falsified in the event, for the harvest of 1879 proved to be one of the worst on record. The accumulated pressure told heavily upon the consuming power of the country and the revenue; and when, after lord Beaconsfield's resolution to dissolve, the budget was opened, March 11, the chancellor of the exchequer had no very grateful task to perform. 1880.

The disappointment in the revenue for the year which would close at the end of the month would prove to be no less than two millions. There would be a falling off from the expected yield from spirits of nearly a million and a half, and under the head of malt a similar disappointment, of nearly a million, to be attributed partly to the failure and lateness of the barley harvest in the previous year. On the other hand, there would be an increase in the yield of the probate and legacy duties, which fall upon property as opposed to expenditure, amounting to

¹ 'Who expect that the *deficiencies* of the present day will be supplied by the morrow.'

460,000*l.*; while under the heads of tea and coffee, which as necessities, rather than luxuries, are not so immediately affected by narrowed means as spirits, no decrease would appear.

1880-1. The estimated revenue for 1880-1, with an income tax at 5*d.*, was in excess of the amount of the estimated expenditure by 74,000*l.*; and in addition to this, 700,000*l.* was expected from an alteration to be made in the probate duties, giving, in all, a surplus of 774,000*l.*

The surplus was devoted to an arrangement for payment of a portion of the war expenditure for the Eastern Question and the war in South Africa. The expenditure had been about $12\frac{1}{4}$ millions, divided between the two equally; and of this over 8 millions had been raised by borrowing. Of this 8 millions, 6 were to be paid off by means of terminable annuities, at the rate of 1,400,000*l.* a year. But the additional charge would be only 800,000*l.* per annum, for 625,000*l.* would be taken from the new sinking fund towards payment of the annuities. This immolation of their offspring, the new sinking fund, enabled the government to make some provision for the payment of the late war expenditure, without any additional taxes.

The alteration in the probate duties involved the abolition of an existing distinction in the taxation of the property of persons who died leaving, and persons who died not leaving, a will, which, based upon no principle, had, by universal consent, been condemned. But the principle of a scale of charge had been

retained, and the effect of the new scale was—not to involve the reader in a web of technicalities—to increase certain anomalies in the taxation of various kinds of property on a death. This gave Gladstone, with his special knowledge of the subject, an opportunity of attack, of which he availed himself to the fullest extent in the Midlothian campaign. And though his audience may have failed to grasp in every detail the picture of injustice he presented, the general impression conveyed to their minds was in corroboration of the opinion that he was rightly regarded as the chief of finance or, so to put it, the Jove of the Fiscal Regions—none greater than he, none equal, none in a second class, to him. In short, attention was, by this means, fixed upon his superior importance, from a point of view whence regarded it was incontestable.

He soon had the opportunity to prove it. With no reason on the part of the nation for any railing accusation against the government, with perhaps nothing more against them than weariness of wet weather and a vague desire that some change of circumstances in general might result from a change of administration, lord Beaconsfield returned from the scene of the elections an example of the adage: ‘*Donec eris felix,*’—unlucky in three wet seasons, and unlucky at the polls. He resigned office before the meeting of the new parliament; and Gladstone returned to power, holding, again, the two posts of first lord and chancellor of the exchequer.

A supplementary budget was necessary; for the

small estimated surplus for the year 1880-1 had been converted, by 200,000*l.* of supplementary estimates which had become necessary, into a deficit of 16,000*l.* A proposal had been made by the French government for a reduction of the duties on wine in connection with the new tariff arrangements under consideration in the chamber of deputies, which, should the House think fit to give the government power to make the reduction, would result in a loss increasing the deficit to 249,000*l.* And an astounding deficiency, as yet unexplained, had occurred in the revenue from India, in connection with which some claim might arise.

In the whole, the additional revenue required was from 700,000*l.* to 800,000*l.* Part of this was supplied in the performance of a welcome duty. The decrease in the number of beerhouses since the passing of the Beerhouse Act, 1869, which abolished the old 'Tom and Jerry' shops, and the operation of 'the Licensing Act, 1872,' had increased public-houses in number, and the value of public-house property; and the people's old friend, 'Madame Geneva,' was now installed in palatial edifices which formed a new architectural feature in many of our largest towns. Pointing to the growth in size and value of the gin-palaces of the day, the committee of the house of lords on intemperance had, in their report, recommended that an increase should be made in the price of the annual revenue licenses for public-houses. This recommendation was now carried into effect; and, from a general revision of the duties on licenses for the sale of drink,

involving a considerable increase for public-houses, over 300,000*l.* of the required 700,000*l.* or 800,000*l.* would be gained in the year.

The remainder was obtained from a master-stroke in taxation. An alteration would be made in the taxation of beer, long desired. To secure this benefit an additional 1*d.* of income tax would be imposed for the year ; and, after satisfying the requirements of the alteration, there would remain out of the produce of the additional 1*d.* between 300,000*l.* and 400,000*l.* to form the surplus required.

A tax on the drinkers of beer may be levied in a variety of ways : by means of a tax on the materials for brewing ; a tax on the beer ; a tax on the sale of beer, &c. &c. Different methods have been in force in different countries, at different times ; but in this country, formerly, all were in force at the same time : —a tax on beer, and a tax on malt, and a tax on hops, and a tax on maltsters' licenses, and a tax on brewers' licenses, besides taxes upon the various licenses required for dealing in or retailing beer. The tax on beer had been repealed by the Wellington administration in 1830, and that on hops had been commuted by Gladstone in 1862, for an addition to the tax on brewers' licenses. The existing taxes were, therefore, those on malt, with a supplementary tax on sugar used in brewing, maltsters' licenses, brewers' licenses, and the various licenses for the sale of beer.

As regards the tax on malt, a large volume might, without difficulty, be formed of mere abstracts or brief notices of the various motions for the reduction

or repeal of the tax made in the house of commons, the debates thereon, and the pamphlets published, and articles in reviews and newspapers written, on the subject. The arguments against the tax resolved themselves into a statement that it was unfair, as pressing severely on light land suitable for barley, and impolitic, as a tax on the raw material of a manufacture. The arguments for retaining the tax were derived from the necessity for a tax on beer, to correspond with the taxes on spirits, which form the national drink of Scotland and Ireland; the impracticability of giving up a tax so productive of revenue; and the impossibility, as shown by experience, of fairly levying a duty on beer in any other manner. It was acknowledged that a commutation of the tax was most desirable; but difficulties in relation to private brewing and fairly taxing all sorts of beer, seemed to present an insuperable obstacle to the realisation of the plan.

Three bad years had reduced the farmer to an impoverished condition; and on introducing the supplementary budget, June 10, the chancellor of the exchequer acknowledged that 'the farmer had the strongest possible claim upon any government at the time, and that as we had exposed him to all the disadvantages of equal legislation, he should have all its advantages.' In that view he approached the subject of the farmers' grievance—the malt tax—'a grievance with which our contemporaries have been familiar from childhood upwards.'

1. To abolish the tax, as had been suggested by

some persons, at a loss to the revenue of about eight millions, and leave the beer-drinker untaxed while a revenue of many millions was collected from alcoholic drinks in the form of spirits and wine—to tax the national drink of Scotland and Ireland and allow that of England to be entirely free from taxation, was entirely impracticable, and could not be proposed by any responsible government to the House. 2. To reduce the tax, as had been suggested by lord Chandos in 1833, and again in 1852 by the first Derby administration, would be a most unsatisfactory mode of proceeding, which, while deranging our finances, would give only very partial relief. It was difficult to say how much of the reduction would reach the consumer; while all the main objections to the tax would continue to exist. 3. The third method of dealing with the tax was to substitute for it a duty on beer.

A remarkable diminution in the number of persons who brew for consumption at home amounted almost to the annihilation of the difficulty in relation to private brewing. The practice, if not dying a natural death, at any rate was shrinking within limits so modest and so narrow, that it could no longer be regarded as an obstacle to prevent the government from going forward to effect an important change on other grounds beneficial to the country; and private brewers would be taxed by relation to the materials used in brewing, which would secure substantial justice as to the tax to be paid by them. The other difficulty had also been removed: the brewer for sale, allowed to use in brewing any materials he might think fit to

choose, would be taxed by testing the strength and saccharine qualities of the liquor at a particular stage, the most convenient for himself and the revenue officers. This method would secure the fair taxation of beer of various sorts and strengths.

As regards the amount of the duty to be imposed, a fair equivalent for the relief to be given by the repeal of the taxes on malt and sugar used in brewing and on brewers' and maltsters' licenses would be 6s. 3d. the barrel, a quarter of malt being estimated to produce four average barrels, the turn of the scale in calculating the equivalent being slightly in favour of the revenue. The new tax was, therefore, originally estimated to yield 350,000*l.* additional revenue; but, subsequently, in consequence of an alteration in the scheme, this was given up, and the yield of the tax was taken at 8,500,000*l.*

The expenses of the alteration, including the return of duty to be allowed to the maltsters for their stock in hand, additional cost of supervision and other expenses, would be 1,100,000*l.*

1881. The revenue from taxation in the fiscal year 1880-1 produced 378,000*l.* in excess of the estimate; and the additional 1*d.* of income tax added to cover the change in the taxation of beer carried out in the previous year, was taken off in 1881, notwithstanding a high estimate for military and naval expenses, and for civil expenditure, which now amounted to 16 millions. A most opportune addition to the revenue, derived from an adjustment of the sur-tax on foreign spirits and rum, assisted the chancellor of the exchequer in the business to the amount of no less than

180,000*l.* ; and 390,000*l.* was expected from an alteration to be made in the probate and legacy duties.

This consisted in the abolition of the obnoxious scale for the probate duties, which were reimposed, as nearly as possible, in the form of an exact percentage. The tax, previously charged upon the gross estate, with power to obtain a return of duty for debts, was now charged, originally, upon the net estate after a deduction of the debts. And a fusion of this tax with the legacy and succession duty was effected as regards property passing to direct lineal relations, who were henceforth to be cleared from both taxes by the payment of 3 per cent. ; an alteration of considerable advantage to the tax-payer as well as the revenue, in the abolition it effected of reversionary claims for duty which occasioned infinite trouble and annoyance. It affected nearly seven-twelfths of the property upon which legacy duty was payable, that being the proportion that came under the one per cent. duty.

The next year was not remarkable for any alteration in our tax system.¹ An additional 1½*d.* on the income tax was granted to defray the expenditure for the expedition to Egypt, in pursuance of a vote of credit of 2,300,000*l.* passed in July ; and this was taken off in 1883 by mr. Childers, who had been

1882-3.

1883-4.

¹ A duty was imposed upon articles manufactured in imitation of coffee ; but no addition was made, as had been proposed in the budget scheme, to the tax on carriages (viz., 1*l.* 1*s.* for four-wheeled, and 6*s.* for two-wheeled carriages) the chancellor of the exchequer announcing that the state of the revenue would enable him to make the grant proposed for certain purposes in connection with the highways, without any such addition.

appointed chancellor of the exchequer on the previous December 16.

Alcoholic
liquors.

The depression in the yield of the revenue from alcoholic liquors was now assuming a chronic form, and threatened seriously to affect our fiscal prospects. The revenue from this source, amounting to no less than, in round numbers, 30 millions, figures as the most remarkable feature in our system of taxation; and therefore any influence that may operate upon it in the whole, forms as serious a subject for the consideration of our finance ministers as any that can be suggested. The depression affected to a greater or less degree every item in the list. Home-made spirits—gin, whisky, and British brandy; imported spirits—cognac (brandy) and rum; wine, and beer, all told the same tale—that, in power, this revenue had decreased, was decreasing, and, probably, would continue to decrease.

Spirits.

As regards home-made spirits, looking back to the year 1860, when the duty was raised to 10s. the gallon for the China war, the effect of that increase in the tax had been to lower the consumption per head of the population, from the figure of 0·854 gallons, to an average of 0·663 gallons for the next four years. Rising, in a prosperous time, to 0·711 gallons in 1870, it stood, subsequently, for the five years 1874–8, at what Horace Walpole might have termed ‘the highest spirit mark,’ an average of 0·912 gallons. Descending thence, it now had reached 0·808 gallons, by a gentle descent indeed, but along an inclined plane, for there was no prospect of return

High wages no longer supplied the means for indulgence; and, in the opinion of competent authorities,¹ improved habits in the people, and the influence of temperance principles, had operated to turn the footsteps of many a spirit-drinker from the doors of the gin-palace to those of some one of the numerous coffee-taverns lately established, there to drink, if not coffee, one or another of the many temperance drinks of which the manufacture had lately enormously increased.

As regards foreign spirits, if the same influences were less powerful in their operation upon this head of revenue, the ravages of the vine-disease in France had, by diminishing the import of brandy, aided in the work of deterioration of the revenue.

As regards wine, although the import of wine Wine. from France had been influenced, to what may have appeared, to persons ignorant of the arts of the wine trade—uninitiated in the Mysteries of Bacchus—a curiously slight degree, by those ravages of the phylloxera which were stated to have lessened the produce of French vineyards by half, it was clear the demand for wine had diminished: the farmer class had put up the sherry decanter, and the mercantile and trading classes entertained less freely, and, when out for a holiday, contented themselves with seltzer water, soda water, ginger beer, or some other form of the effervescing drinks in vogue, in lieu of the wine of more prosperous times than these.

¹ See the reports of the commissioners of inland revenue and of customs.

Beer.

As regards beer, the consumption, which stood, on the average of the five years 1866–70, at the figure of 1·581 bushels of malt, had, after a period of unusual expansion, 1871–9, receded, for 1880, to 1·428; and, measuring by barrels after the alteration of the taxation of beer in 1880, it had decreased from 0·783 barrels in 1882, to 0·754 barrels in 1883; and this was considered to be due to the same influences that affected the revenue from spirits.

Looking at the revenue in the whole, the most that could be hoped for in the immediate future would be that it would not henceforth considerably decrease.

Notwithstanding these adverse circumstances, the chancellor of the exchequer had, in 1883, a surplus sufficient to enable him to abolish the railway passenger duty on all fares of 1*d.* the mile and under, and to reduce the duty for fares over that figure on urban traffic, which would cost 135,000*l.* in the year, and eventually 400,000*l.*; while a sum of 176,000*l.* would be set aside to meet the views of the House as to the introduction of 6*d.* telegrams.¹

1884–5. In the next year a small surplus was formed without any addition to taxation, but in December an additional 1*d.* of income tax was granted for the expenses of the expedition against the Mahdi. This

¹ A proposal relating to the warehousing of silver plate, duty free, so as to admit of a delay in the payment of duty until the plate should be taken out for sale, intended as an arrangement preliminary to the abolition of the tax, was subsequently dropped, in consequence of representations made by the manufacturers that such a system would, in practice, prove detrimental to their trade. A new license for sporting, costing 1*l.*, and available for a fortnight's shooting, had little, if any, effect on the revenue from licenses for sporting.

proved to be insufficient for the purpose, and in April four millions and a half were required for 'remaining charges in the Soudan and Upper Egypt.'

At this date, a feeling of anxiety, long existing in the public mind, as to the state of our preparation at sea in case of a war, had been intensified by the prospect of immediate war with Russia and the attitude of the French Republic in regard to affairs in the East. It was urged on all sides that the defences of our coaling stations should be strengthened, and our navy placed in thorough war-trim, regardless of any necessary expense. In these circumstances, when Gladstone, in a speech ranking with his finest speeches and recalling those of Chatham, appealing to the patriotism of the House, requested a vote of credit for 11 millions—to include the $4\frac{1}{2}$ millions and $6\frac{1}{2}$ millions more 'for special naval and military preparations,' though but $2\frac{1}{2}$ millions were devoted to the navy, their maxima cura, the nation willingly deferred all questions regarding the policy of the government, and were enthusiastic in their approval of the action of the House, who voted the 11 millions without a division.

This 11 millions, added to an estimated deficiency of $3\frac{3}{4}$ millions, and 200,000*l.* of supplementary estimates, formed a total deficiency of 15,000,000*l.*

Treating the Budget as substantially a war budget, the ministry wisely determined to intercept, for the year, the action of what is termed the Sinking Fund. To do otherwise would be, as the prime minister subsequently put it, 'a pedantic

The
Budget
of 1885.

construction of the principle of Pay Your Way.¹ By taking, for the service of the year, the portion of the terminable annuities— $4\frac{1}{2}$ millions—that represented repayment of debt, the deficiency would be reduced to $10\frac{1}{2}$ millions.

To find this amount was, in the circumstances, no easy task ; but the chancellor of the exchequer applied himself to the business, on budget day, with his usual ability and considerable bonhomie, making the best of a bad situation.

First, should any new taxes be imposed ? A great fertility of invention had been displayed in suggestions that had been made to him by a number of volunteer financiers who had come to his assistance with suggestions that cats, soda water, bicycles, advertisements, and even names, should be taxed ; that a duty should be reimposed upon sugar ; that the duty on tea should be increased ; and that coal from the pit, gas, petroleum, and other oils were fit subjects for taxation.² None of these suggestions suited his wants, and no new tax would be imposed.

¹ Speech, June 9.

² Such suggestions are not peculiar to the United Kingdom. 'En 1873, quand je suis arrivé pour la première fois au ministère des finances,' said M. Léon Say, December 10, 1881, 'on était encore possédé de ce que j'appellerai la fièvre de fiscalité. A l'assemblée nationale c'était une vraie maladie ; il n'y avait pas de jour où quelqu'un de nos collègues n'eût la prétention d'avoir inventé son petit impôt ; on venait me trouver en disant qu'on avait découvert le moyen de faire rentrer des millions par an : impôt sur la photographie, sur les chapeaux, sur les pianos, et toute sorte de choses ! Il y avait une émulation qui poussait tout le monde à des excès de fiscalité.' Volunteer Financiers were not favourites with Peel, who, in his Budget speech in 1842, remarked : 'They think that their inventive genius is on a level with that of Archimedes, when they discover a pianoforte, an umbrella, or some such article not yet made the

This resolve of the chancellor of the exchequer narrowed the field of search to existing sources of supply, exclusive of tea, as already mentioned, the tax on which, already imposed at a high percentage in respect to the cheaper sorts, it was clearly not advisable to increase so near election time. Mr. Childers's plan was as follows:—

The income tax was to be imposed at 8 <i>d.</i> ,	£
being 3 <i>d.</i> over the 5 <i>d.</i> which was now allowed to be the normal or peace rate, and	
the 3 <i>d.</i> would produce	5,400,000

Other taxes would produce:—

<i>Succession duty</i> , (1) Equalisation of duty for real and personal property	200,000
<i>Succession duty</i> , (2) Composition for the property of corporations	150,000
<i>Spirits</i> , 2 <i>s.</i> the gallon additional	900,000
<i>Beer</i> , 1 <i>s.</i> the barrel additional	750,000
<i>Stamp duties</i> , securities to bearer	100,000

Deducting the total, 7,500,000*l.*, there would remain a deficiency of 2,812,000*l.*, which would be borrowed temporarily on the unfunded debt, to be paid off, it was contemplated, next year—to be met out of the sinking fund of 1886–7.

Although objections were raised to the item in this programme relating to the proposed increase in the succession duties (1) on the ground that it was inopportune, in view of the decision of the House that the question of local taxation should have

subject of taxation; and immediately suggest the scheme to the chancellor of the exchequer, accompanied by a modest claim for a large percentage of the amount received in consideration of the novelty of the thought, and the certain success of its operation.'

precedence of this question, the attack of the opposition upon the budget ran mainly on the lines of the spirit and beer duties, which it was urged it would be inequitable to increase without a corresponding addition for wine. An amendment vital to the budget was proposed. The ministers accepted the challenge ; and, in the result, on the morning of the 9th of June, the government were, contrary to general expectation, somehow or other, defeated.¹

In the administration formed by lord Salisbury, sir Michael Hicks-Beach held office as chancellor of the exchequer and led in the Commons, in succession to sir Stafford Northcote, who accepted a peerage as earl of Iddesleigh ; and eventually, in a supplementary budget, disclaiming—with the limited time at his disposal, and in the circumstances in which he was placed—all designs of any ambitious financial scheme ; without time for the investigation necessary for new projects of taxation : acknowledging the impracticability, on the ground of the unpopularity of the increase, of any endeavour on the part of a government in a minority in the House to raise the duty on tea ; and unable to find in our fiscal list any other head of duty which in such times of depression it was wise to increase, he adopted the suggestions of his predecessor in office as regards the income tax, the tax in composition for succession duty on the property of corporations, and that on securities to bearer, discarding those relating to the now condemned spirit, beer, and succession duties, and supplemented

¹ By 12 votes: 264 to 252.

this necessarily one-sided budget by a proposal to take the whole of the sinking fund, including not only the portion of the annuities representing capital but also the amount available, under the sinking fund Act of 1875, for the payment of debt, and borrow 4 millions on exchequer bills and bonds to meet the rest of the deficit.

These interesting transactions bring this narrative to its close. They raised an important question (not, in all probability, for the last time raised) regarding the expansive power of our existing fiscal system—whether it is such as to prove sufficient to meet the requirements of the nation from time to time? Whether, by the abolition of the duty on sugar, we may have, as predicted by lord Sherbrooke, ‘struck at the power of the country to meet the exigencies which a great nation like this is continually subject to,’ and by ‘removing a mainstay of the system, have permanently injured it?’ or, whether, in times of depression, with, as again may be, a revenue from alcoholic liquors languishing, or on the decline, a source of additional revenue can be found under the existing heads of taxation, to use, in conjunction with the income tax, when a general effort is demanded and all classes of taxpayers should set the shoulder to the wheel—according to hopes expressed when we repealed the duty, with a light heart, in a time of unusual prosperity, with a revenue from alcoholic liquors in the full flow of an advancing tide, the year of the six millions surplus, 1874?

The EXPENDITURE and the REVENUE FROM TAXATION and some other Sources in 1884-5 as compared with 1880-1.

	1880-1	1884-5
EXPENDITURE.	£	£
1. DEBT	28,170,000	28,300,000
2. CIVIL LIST AND ANNUITIES TO ROYAL FAMILY	568,000	565,000
3. ARMY AND NAVY	25,280,000	30,325,000
4. JUSTICE, POLICE, AND PRISONS	5,900,000	7,000,000
5. EDUCATION, SCIENCE, AND ART	4,300,000	5,170,000
6. OTHER CIVIL GOVERNMENT	5,579,000	6,256,000
7. COLLECTION OF TAXES	2,765,000	2,660,000
Total Expenditure	<u>72,562,000</u>	<u>80,276,000</u>

REVENUE FROM TAXATION.

I. DIRECT TAXES.

1. INCOME TAX, net produce	10,776,000	11,922,000
2. INHABITED HOUSES, Great Britain only	1,690,000	1,855,000
3. REMNANT OF LAND TAX, Great Britain only	1,050,000	1,044,000
4. SUCCESSIONS	6,656,000	7,720,000
5. CARRIAGES, SERVANTS, ETC., Great Britain only	1,345,000	1,891,000
6. RAILWAYS. Great Britain only	748,000	392,000
7. OTHER DIRECT TAXES	462,000	490,000
Total Direct Taxes	<u>22,727,000</u>	<u>24,814,000</u>

II. TAXES ON ARTICLES OF CONSUMPTION.

1. ALCOHOLIC LIQUORS:—		
(a) Spirits	18,789,000	18,299,000
(b) Beer	8,500,000	8,500,000
(c) Wine	1,400,000	1,233,000
(d) Licenses for sale, &c.	1,864,000	1,864,000
Total Alcoholic Liquors	<u>30,553,000</u>	<u>29,896,000</u>
2. NON-ALCOHOLIC LIQUORS:—		
(a) Tea	4,000,000	4,795,000
(b) Coffee	200,000	205,000
(c) Chicory and Cocoa	129,000	134,000
Total Non-alcoholic Liquors	<u>4,329,000</u>	<u>5,134,000</u>
3. TOBACCO AND LICENSES	8,880,000	9,362,000
DRIED FRUITS: CURRANTS, RAISINS, FIGS, AND PLUMS	517,000	546,000
4. MANUFACTURES	202,000	248,000
Total Taxes on Articles of Consumption	<u>44,481,000</u>	<u>45,186,000</u>
DIRECT TAXES AND TAXES ON ARTICLES OF CONSUMPTION	<u>67,208,000</u>	<u>70,000,000</u>

III. STAMP DUTIES.

1. DEEDS AND INSTRUMENTS	2,175,000	1,825,000
2. BILLS OF EXCHANGE AND NOTES	868,000	833,000
3. RECEIPT AND OTHER 1d. STAMPS	877,000	943,000
Total Stamp Duties	<u>3,920,000</u>	<u>3,601,000</u>
Total Revenue from Taxes	71,128,000	73,601,000
Net Receipts from Business of the Post Office	3,239,000	2,932,000
Crown Lands and other sources, (see p. 441)	3,024,000	3,007,000

REVENUE FROM TAXATION.

FURTHER DETAILS.

I. DIRECT TAXES.

CARRIAGES, SERVANTS, ETC. (Great Britain):—

	1881	1885
	£	£
Carriages	543,000	562,000
Male servants	137,000	138,909
Armorial ensigns	79,000	78,470
Dogs	350,000	335,526
Sporting licenses (U.K.)	161,000	192,345
Guns (U.K.)	75,000	83,767
	<u>1,345,000</u>	<u>1,391,017</u>

6. OTHER DIRECT TAXES:—

	1. Solicitors	104,000	111,000
	2. Bankers	37,000	37,000
	3. Auctioneers, Appraisers, and		
	House Agents	81,000	80,000
Licenses {	4. Vendors of plate	43,000	48,000
	5. Pawnbrokers	33,000	35,000
	6. Hawkers	25,000	27,000
	7. Refreshment houses	9,000	6,725
		<u>332,000</u>	<u>344,725</u>
Marine Insurance	130,000	145,000	
		<u>462,000</u>	<u>489,725</u>

II. TAXES ON ARTICLES OF CONSUMPTION.

1. ALCOHOLIC LIQUORS (a) SPIRITS:—

ALCOHOLIC LIQUORS (a) SPIRITS:—				£	£
Home-made.		The Distillery		14,393,000	13,987,000
Foreign	{	Rum	2,357,000	1,520,000	
		Brandy.	1,691,000	2,084,000	
		Geneva, &c.	348,000	708,000	
				<u>18,789,000</u>	<u>18,299,000</u>

III. STAMP DUTIES.

BILLS OF EXCHANGE AND NOTES:—

Bills of exchange, &c.	740,000	705,000
Bankers' notes and composition for bankers' bills and notes	128,000	128,000
	<u>868,000</u>	<u>833,000</u>



APPENDICES.



APPENDICES.

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REVENUE FROM SOURCES OTHER THAN TAXATION.

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THE UNITED KINGDOM IN EACH YEAR, 1835-55.

APPENDIX No. I.

REVENUE FROM SOURCES OTHER THAN TAXATION.

1. *The Post Office.*

THE NET RECEIPT FROM THE BUSINESS OF THE POST OFFICE.

2,932,200*l.*

THE business of the post office includes not only the conveyance of the letter bags or mails, as they were early termed from the French ‘*malles*,’ to different places within the United Kingdom, but also the transmission of letters to foreign parts by means of the vessels which carry the packets of letters, and, therefore, are called ‘packet boats,’ and the telegraph service. The excess of receipts over expenditure from the business is available to the state as so much income towards payment of the expenses of government, in alleviation of the burden of taxation.

The first establishment of posts—*posita*, *posta*—or stations for the formation of a line of intercommunication for the rapid conveyance of messages from place to place, dates, in England, from 1482, when Edward IV. established relays of couriers to carry despatches to his brother Gloucester in the expedition to Scotland. This is regarded as the origin of the postal system in this country, in the same sense that the posts set up for public despatches and persons travelling by royal authority by Louis XI., five years before this, are

regarded as the first attempt at a postal system in France.

So far as we have any information from existing records, Brian Tuke was the first person appointed Master of the Posts. He held the office in 1516. Subsequently, in 1545, William Paget, one of king Henry VIII.'s chief secretaries of state, and John Mason, Esqre., had a grant of the office, then termed that of 'Master of the Messengers, Runners or Posts,' as well within the kingdom of England as parts beyond the seas. The grant was for their lives and the life of the survivor. The expense of the conveyance of letters was repaid to them by the crown; and the annual wage or fee of office was 66*l.* 13*s.* 4*d.* Existing patents—*litterae patentes*—prove a succession of life grants of the office to others, in the reigns of Elizabeth, James I. and Charles I., at the same fee¹; but no general system for the conveyance of letters with any regularity to all parts of England, Scotland and Ireland, existed before the establishment of a post office for the weekly conveyance of letters to all parts, under the commonwealth, in 1649.

This system of a central administration was settled upon a more definite footing by the Protector in 1657; and, after the restoration of the monarchy, the establishment was adopted and confirmed by the legislature. 'The well ordering of the post offices which had been, theretofore, erected for carrying and re-carrying of letters by posts to and from all parts and places within

¹ Report of the secret committee of the house of commons appointed to inquire into the state of the law in respect to the detaining and opening of letters at the general post office. July 2, 1844.

England, Scotland and Ireland, and several parts beyond the seas,' was recognised as 'a matter of general concernment, and of great advantage, as well for the preservation of trade and commerce as otherwise'; and the system of one general post office, with fixed fares for the conveyance of letters, was adopted, 'to the end that the same might be managed so that speedy and safe despatches might be had.'

Under the Act for the post office, the king had power to grant the office of post-master general and the business of the post office to whom he would, for life, or any term not exceeding twenty-one years, under such conditions and such yearly rent as he might think fit¹; and three years after this, the rent, which was then 21,000*l.* a year, was settled on the king's brother, the duke of York, in tail; but, on his accession to the throne, was declared to be vested in the king and his successors as part of the hereditary revenue.²

In Scotland the business was, at this date, a losing concern. So much so that, in 1698, the grantee of the king, though receiving, besides the postage, a subvention of 300*l.* a year for keeping up the post, was compelled to abandon the business as a failure.

After the legislative union, 1707, of England and Scotland, and the establishment at great charges of packet boats between England and the West Indies, and also on the mainland in North America, the post office was, in 1710, remodelled, and a general letter office and post office for Great Britain and Ireland, North America and the West Indies, was established

¹ 12 Car. II. c. 35, s. 16.

² 15 Car. II. c. 14; 1 Jac. II. c. 12.

in London under her Majesty's Post-Master General, with chief offices at Edinburgh, Dublin, New York, and other convenient places in the colonies in America, and the Leeward Islands.¹

At this date we were hard pressed for funds to meet the expenses of the war with France—the war of the Spanish Succession—and, on the ground that ‘the rates of postage might in many parts, with little burden to the subject, be increased and other new rates granted, which additional and new rates might in some measure enable her Majesty to carry on and finish the present war,’ were the collection and payment of them properly secured—on this ground, the legislature, while strengthening the monopoly of the post-master general by land and by sea, rendering penal the conveyance of packets of letters or the mails in any passage boats other than the ‘packet boats,’ as well as the conveyance of letters by land in coaches and other vehicles, imposed the additional and new postage rates, appropriated a certain amount from the receipts to secure a loan for the purposes of the war, and termed the receipts, revenue from ‘duties.’

And here it may be noted that this statutory application of the term ‘duty’ to payments for the postage of letters has a special interest in the use which was made of it, at a subsequent date, in an attempt to reckon the revenue from this source as a precedent for the imposition of taxes in the colonies. This happened on the examination of Benjamin Franklin, in evidence before the committee on the Stamp Act for America,

¹ 9 Anne c. 10.

in 1765. Appointed in 1753, deputy post-master for the colonies in America, he had soon changed the business of the post office in the colonies from a losing concern to a paying one, and he continued to hold the post until his dismissal in 1774, as the result of the rejection of the Massachusetts petition. He was now asked the question: 'Is not the post office, which they have long received, a tax as well as a regulation?' To this he answered: 'No; the money paid for the postage of a letter is not in the nature of a tax, it is merely a *quantum meruit* (or payment in return) for a service done.'

To return, the net receipt had been, in 1710, when the rates were augmented, 62,000*l.* Raised, in consequence of that increase, by an amount from 25,000*l.* to 30,000*l.* a year, it reached for the first time, in 1727, the sum of 100,000*l.* Subsequently, after a period of about 35 years, during which it remained stationary at from 90,000*l.* to 100,000*l.* per annum, it increased to 122,000*l.* for 1764, the year after the treaty of Paris which ended the Seven Years' War.

By the treaty, our conquests in America, including Canada, were reserved to us, and we obtained certain advantages in the West Indies. 'The increase of trade and commerce and the vast accession of territory we had gained' since the settlement of the rates in 1710, had 'opened several new communications.' To meet these altered circumstances the rates on letters to America were, in 1765, revised and in some cases reduced, and several new rates were granted.¹ In this

¹ 5 Geo. III. c. 25.

year the net receipt was 165,000*l.* For the next 10 years it averaged from 150,000*l.* to 160,000*l.*; and after a decline in the war with America, again reached 165,000*l.* in 1783.

The prosperity of the post office dates from the next year, 1784. Hitherto the mails had been carried from post to post by post-boys on horseback, and now the superior rapidity of conveyance afforded by mr. Palmer's new 'coach diligences,' from the French *coche* and *diligence*, threatened the monopoly of the post office, which the penalties for the conveyance of letters by coaches proved inadequate to secure in the face of the great advantages of more rapid means of communication. Pitt availed himself of the opportunity to improve our postal system, and, adopting, in supersession of the post-boys, mr. Palmer's diligences as the means for carrying the mails, thus established the 'Royal Mail,' a means of conveyance, for celerity and punctuality, hitherto unequalled in the history of locomotion.

In this year a separate establishment was created for Ireland,¹ the receipt from which was between 12,000*l.* and 14,000*l.* a year for several years, but subsequently had increased by about half as much again, in 1801, when the establishments were re-united.

Simultaneously with the important improvement in the means of conveyance of the letters effected by Pitt, the rates of postage were considerably increased.² The net receipt now rose apace, reaching 304,000*l.* in 1785 and 409,000*l.* in 1793 before the Great War. In 1799

¹ 24 Geo. III. Sess. I. c. 6.

² 24 Geo. III. c. 37.

it was 704,000*l.* ; and, increasing steadily after 1805, was in 1815, the last year of the war, 1,635,000*l.*

The expense of the establishment at this date was 689,611*l.*, of which 552,780*l.* was for the post office, and the remaining 136,831*l.*, for the packet service.

An increase in the rates made in the last year of the war kept up the net receipt to about a million and a half.

An important change was made in the means of conveying the post in the fourth decade of the century, when those brilliant phenomena, as the royal mails were considered to be when 'flashing along the highway the heart-shaking news of Trafalgar' and Waterloo, suffered a total and a permanent eclipse. Modern invention now added the coaching system to the list of things that have been ; the guard with his blunderbuss was gathered to his predecessors the post-boys and their predecessors the running posts ; and 'the Mail' was superseded by 'the Rail.' In 1838, by an Act of the first year of her present Majesty, power was given to the post-master general to require the companies of proprietors to convey the mails, at a reasonable remuneration,¹ along the new iron railroads of Stephenson and his colleagues, in lieu of the old coach roads.

At this date the profits of the business stood at about a million and a half,² which had been about the average for the last twenty years. This million and a half formed an important item in our fiscal accounts,

¹ 1 & 2 Vict. c. 98, s. 6.

² 1,556,522*l.*, deducting 120,000*l.* for the cost of the packet service which was transferred to the navy estimates in 1837 ; cost of post office, 669,756*l.*

and could ill be spared; for, in consequence of the loss of three millions a year from the repeal of the tax on beer in 1830, and three millions more from the repeal of the tax on inhabited houses and other taxes by Althorp, bad harvests, slackness of business, and hard times generally, there had been deficits in the revenue for several consecutive years, while no prospect of any immediate improvement in the yield could be discovered in the fiscal horizon, where all was darkness.

In these circumstances, Peel, ever intent upon the maintenance of public credit, felt himself constrained to oppose the introduction of Rowland Hill's plan of a penny prepaid postage upon the self collecting principle of the stamp revenue, though not denying that 'great social and commercial advantage would arise from the change, independent of financial considerations,' and that, 'whenever commercial intercourse is facilitated, the result must be the general benefit of the country.'¹ But the excessive rates of postage had created a popular feeling on the subject which prevailed to override all fiscal considerations, and Rowland Hill's plan was adopted and carried into effect.²

The immediate result of the introduction of the penny prepaid postage was to reduce the profits of the business to about a quarter of a million. A book post was added to the business in 1846; and in 1857-8 the net receipt was no more than 247,958*l*.

In 1862-3, however, it had risen to 737,174*l*.;³

¹ Speech, July 12, 1839.

² 3 & 4 Vict. c. 96.

³ Deducting 844,961*l*. for the packet service.

and in 1864-5 was considerably over a million. The increase in the business had been enormous; and in 1868, the number of letters conveyed was 808 millions, as against 76 millions in 1839.

The Telegraph Act of this year, which enabled the post-master general to acquire and maintain the electric telegraphs, gave the post office a monopoly of the business, based upon 'the great advantage it would be to the state, as well as to merchants and traders and to the public generally, if a cheaper, more widely extended, and more expeditious system of telegraphy were established in the United Kingdom.'¹ The payments by the public for business done in the transmission of telegraphic messages—or 'telegrams,' as Englishmen, who love their words short, were, after some learned discussion on the subject, allowed to term them—were to be made, as the payments for the postage of letters are made, by means of stamps, and form part of the post-office revenue.

The net receipt from the post office for 1868-9 was nearly a million and a half²; in 1875-6 it had risen to over two millions and a half³; and in 1880-1 reached the large sum of three and a quarter millions,⁴ a high rate of productiveness which it was allowed to retain for 1881-2 and 1882-3, for which years the net receipt was at about the same figure.

Public opinion now insisted upon the introduction of 6*d.* telegrams, and, in consequence of this, the net receipt for 1884-5 was only 2,932,200*l.*⁵

¹ 31 & 32 Vict. c. 110. ² 1,404,478*l.* ³ 2,534,306*l.* ⁴ 3,239,109*l.*

⁵ Public Expenditure. Charges on Taxes. Return, August 10, 1885.

NOTE.

The cost of the telegraphs was over ten and a half millions.

The cost of management of the whole of the post-office business was, in 1868-9, in round thousands :—

	£	£
Post office	2,370,000	
Packet service	1,030,000	
	<u> </u>	3,400,000

In 1880-1 :—

	£	£
Post office	3,500,000	
Telegraphs	1,250,000	
Packet service	750,000	
	<u> </u>	5,500,000

In 1884-5 :—

Post office, &c.	7,238,000
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2. Revenue from Other Sources.

RECEIPTS FROM CERTAIN SOURCES OTHER THAN TAXATION AND THE BUSINESS OF THE POST OFFICE.

	£
1, Revenue from the Crown lands (net)	380,000
2, Small branches of hereditary revenue	119,000
3, Receipts from fines and fees in Civil departments, } see post, p. 528. }	1,913,122
4, Receipts in Revenue departments :—	
Customs	£54,097
Inland Revenue	29,245
	<u> </u>
	83,342
5, Receipts in Post Office department	265,547
6, Bank of England, profits of issue	153,000
7, Post Office Savings Banks, surplus interest from securities	93,000
	<u> </u>
Total	£2,627,011
Total, including Crown lands	£3,007,011

The list includes every head of importance in the 'Miscellaneous' revenue, as it is termed. In explanation of some of the items it may be added: With reference to 1, Revenue from the Crown lands, that this item has, of late years, decreased in consequence of the prevailing agricultural depression. That a large portion of the amount under the head 2, 'Small branches of hereditary revenue' is derived from the balance of an account termed 'the Crown's Nominee Account,' which consists of money and property received under administrations granted to the treasury solicitor of the personal estate of intestates or under forfeitures. The details of 3, 'Receipts from fines and fees in Civil departments' are given, subsequently, in Appendix II. 4, 'Receipts in Revenue departments' include, under the head of customs, an item of 19,247*l.* for money received from the board of trade in reimbursement of charges incurred under the Merchant Shipping Act, and 13,614*l.* for 'receipts from merchants, etc. for special attendance of officers;' while under the head of inland revenue the amount received is almost entirely for fines, seizures, and penalties. Of 5, 'Receipts in the Post Office department' 255,257*l.* is for charges of management of the post office savings banks. 6, The payment from the Bank consists of the whole statutory allowance out of their profits of issue. This annual payment varies according to the 'circulation' of the Bank from their 'Issue department.' Formerly (up to 1861) it used to be deducted from their allowance for the management of the national debt.¹

¹ 3 & 4 Will. IV. c. 98; 7 & 8 Vict. c. 32, s. 8; 24 & 25 Vict. c. 3, relating to Bank of England Payments.

APPENDIX No. II.
THE NATIONAL EXPENDITURE, 18TH AND
19TH CENTURIES.

CHAPTER I.
THE EXPENDITURE GENERALLY.

CHAPTER II.
THE NATIONAL DEBT.

CHAPTER III.
THE ARMY AND NAVY.

CHAPTER IV.
1. THE DIGNITY AND STATE OF THE CROWN, AND
2. THE CIVIL GOVERNMENT.



APPENDIX No. II.

THE NATIONAL EXPENDITURE.

18TH AND 19TH CENTURIES.

CHAPTER I.

THE EXPENDITURE GENERALLY.

IN the following General Tabular Statement of Expenditure and Revenue the expenditure is ranged under the three heads of—1. Interest on the National Debt; 2. Expenditure for the Army and Navy (*Peace Establishment*); and 3. Expenditure for the Civil List and the Civil Government. P. 449.

In explanation of the figures given under the last of these heads, viz. Civil List and Civil Government, a few words are necessary. They include the expenditure under three headings of ‘Courts of Justice’; ‘Annuities and Pensions’ granted by parliament:—to the royal family, and to others; and ‘Salaries and Allowances,’ which, as the expenditure to which they relate does not come within the annual parliamentary votes, but is charged on the consolidated fund, or national revenue, are to be found in the Revenue Returns under the

P. 512. heading of 'Charges on the Consolidated Fund.' In the subsequent particular tabular statement placed at the head of Chapter IV., part 2, relating to the Civil Government, the expenditure under the before-mentioned heading, 'Courts of Justice,' is included under 1. Justice, Police and Prisons, but no part of that under the headings 'Annuities and Pensions' and 'Salaries and Allowances' is included for the years 1825, 1853, and 1868-9. For 1884-5 the account has been made complete, *reddendo singula singulis*.¹

Pp. 509-11. This explanation is given in order to account for the difference that will be found between the figures given under 'Civil List and Civil Government' in the general tabular statement, and the sum of the figures under the particular heads 'Civil List' and 'Civil Government.' The difference is about 431,000*l.* in 1825; 620,000*l.* in 1853; and 450,000*l.* in 1868-9. Part of this is due to expenditure under 'Annuities to the Royal Family;' which, in this work, has been made a separate head of expenditure; the rest is due to expenditure under the headings in the Revenue Returns, 'Annuities and Pensions' to others, and 'Salaries

P. 511.

¹ To attempt to do this all through would be a difficult task. The heading 'ANNUITIES AND PENSIONS' comprises, in addition to annuities to the royal family, pensions—for naval and military services; political and civil services; judicial services (the retiring pensions of the judges and the late chairmen of quarter sessions in Ireland); and diplomatic services; hereditary pensions; and miscellaneous pensions. The heading 'SALARIES AND ALLOWANCES' comprises a variety of subjects; the most important are:—the salary of the lord lieutenant in Ireland; the grant to Queen's colleges in Ireland; augmentation of stipends to Scotch clergy; salaries of the ecclesiastical establishment in the West Indies; and the salaries of the Speaker, the controller and auditor general, and the assistant controller and auditor.

and Allowances,' as above mentioned. It may be added that the item in the Revenue Returns relating to the Civil Service Expenditure headed 'Miscellaneous, Special and Temporary,' is left out of the general as well as the particular tabular statement.

On reference to the figures given in this General Tabular Statement, it will be observed that the increase under the first of the three heads under Expenditure, viz. that of 'Interest of Debt,' is the main cause of increase in the general expenditure from the commencement of the eighteenth century to the peace after Waterloo. This was due to debt incurred for war. 'Alas,' writes Sydney Smith, after the peace, 'we have been at war thirty-five minutes out of every hour since the peace of Utrecht.' The cost of the wars in which we engaged and the amount added by them to the national debt is given in the Statement. The average cost of each year of war was as follows:—In the war from 1688–1697, 3,627,000*l.*; in the war from 1702–13, $4\frac{1}{4}$ millions; in the war of the Right of Search, 4,365,000*l.*; in the Seven Years' war, $10\frac{1}{4}$ millions; in the war of American Independence, $9\frac{3}{4}$ millions; and, for every year of the long war against Revolutionary France and Napoleon, 1793–1815, 36 millions.¹

Then follows a period of peace in Europe consequent upon exhaustion of strength and resources in the Napoleonic wars, which lasts for thirty-seven years, until the outbreak of the war with Russia in 1853.

From this point the expenditure under the second

¹ An amount of $1\frac{1}{4}$ million in excess of the average cost of each year of the Crimean war, which was $34\frac{3}{4}$ millions.

of the three heads, viz. that of 'Army and Navy,' shows a rapid increase. Our military fiasco in the Crimea, the warlike propensities of Napoleon III., and the warlike alacrity of France under the empire, aroused sentiments which found expression in a considerable augmentation of our forces; and the expense of this and, more particularly, the cost of improved artillery and ships, raised the expenditure under this head from a level of about $15\frac{1}{2}$ millions to a level of about 25-6 millions.

Lastly, the expenditure under the third head, which includes the Civil Government, swells apace. The principal cause of this is to be found in the transfer made of expenses connected with the county courts, police, and prisons to the State account, and new expenses incurred for the advancement of Elementary Education.

The receipts from taxation are given in the fifth column of the General Tabular Statement; and the sixth shows the net receipt from the business of the post office: these two forming, with about 400,000*l.* a year, of late years, from the crown lands, and revenue from certain other sources of which the most important are stated in Appendix I. (2), the income of the United Kingdom. The population is given in the seventh column.

Date	EXPENDITURE			REVENUE		
	Interest of Debt	Army and Navy	Civil List and Civil Government ¹	Taxes	Post Office	Popu- lation
1688-97	War, in Ireland and against France, costs 32 millions.					
1702	1·2	1·3	0·700	|| 4·25	·080	—
1702-14	War, Spanish Succession, costs 50 millions, and adds 21½ millions to debt.					
1739	2·0	1·8	0·938	|| 5·75	·095	—
1739-48	War, Right of Search and Austrian Succession, costs over 43 millions, and adds 30 millions to debt.					
1755	2·6	2·0	0·958	|| 6·75	·099	—
1756-63	War, Seven Years, cost over 82 millions, and adds nearly 60 millions to debt.					
1775	4·6	3·8	1·206	|| 10·0	·176	—
1776-85	War, American Independence, costs over 97 millions, and adds 117 millions stock to debt.					
1792	9·3	6·25	1·228	|| 17·3	·378	—
1793-1815	War, with France and Napoleon, costs 831 millions, adds 622 millions to debt.					
1825	29·0	15·0	3·327	|| 54·4	1·733	22½
1825-53	Peace in Europe. Lowest expenditure in 1834.					
1841	29·5	14·7	4·7	|| 50·0	·300	—
1853	27·7	15·6	6·340	|| 55·0	·250	27½
1854-6	War in Crimea, costs nearly 70 millions, 39 raised by creation of debt.					
	Warlike preparations after the break-up of peace in Europe. Law Courts. Police.					
1868-9	26·7	26·0	10·509	|| 64·2	1·4	30½
	Elementary Education. County Police.					
1884-5	28·3	26·7	19·006	|| 77·0	2·9	35

¹ Great Britain only down to 1792, inclusive.

CHAPTER II.

THE NATIONAL DEBT.

28 $\frac{1}{4}$ millions a year.

THE 'Funds' is the term at present in use to designate the capital of the national debt; and we speak of the interest as the 'Dividends.' Originally, the 'fund' meant the security for a loan,¹ but subsequently it came thus to be applied to the thing secured. The 'dividend' is, strictly speaking, the share of the annuity created by the legislature when the annuities represented by the 'Funds,' as we now use the term, were made payable half-yearly. It is now used to mean, in a general sense, interest of money in the Funds.

The real bargain between the state and the creditors is this: the creditor has a perpetual annuity secured upon the national income and payable half-yearly, which the state has *power to redeem* at 100*l.* for every 3*l.* of annuity, the present interest of the debt being at the rate of 3*l.* per cent. The annuities are transferable at the Bank of England, and are represented, in the money market, by capital sums which vary in value according to the circumstances of the time.

At present, no safer or more convenient investment

¹ Thus the Act of 8 & 9 Will. III., c. 20, recites that advances had been made 'upon certain aids, revenues or funds' thereafter mentioned.

exists than that of 'money in the Funds,' 'the sweet simplicity of the 3 per cents.' But, if the public creditor now 'dwells in a fortress of security,' the position, in former times, of those who advanced money for the use of the crown was that of the man who 'built his house upon the sand.' The methods employed by the kings of England for obtaining loans from their subjects in former times were many and various; but they had this in common that the lender of the money always lost the interest, and, very often, the capital. This circumstance was noticed in the Privy Seals, issued by James I., in July 1604, as security for the monies advanced to him, in which it is admitted, in terms, that 'the omission in former times to repay some loans, in regard of violent necessities,' might 'make a doubtfulness how the promise for repayment of whatsoever this Privie Seal of ours shall assure you,' might be kept. But the old system, which was one of extortion, more or less thinly veiled, was, eventually, suppressed by the Petition of Right (March 1628), and no man thereafter was to be 'compelled to make or yield any gift, loan or benevolence, without common consent by act of parliament.'

Adequate security to the public creditor was afforded, under the commonwealth, by means of mortgages on the produce of the excise; and it was mainly with a view to discharge these mortgages that the tax was reimposed in the comprehensive form established under the Protectorate in 1656.

After the restoration of the monarchy the system of loans in anticipation of revenue was continued; but

the most historically famous loan of the reign was the unfortunate Bankers' Debt. This debt, originally 1,328,526*l.*, carrying interest at 6 per cent., though secured by letters patent of the king on the hereditary excise, remained unprovided for after the shutting up of the exchequer in 1672. Subsequently, it formed the subject of a protracted law suit, in which judgment was given against the crown, and eventually was settled by parliament, in 1699, at half rates.

Meanwhile, in 1685, a sum of 84,000*l.* had been borrowed by James II. in anticipation of the produce of the new duties on imported linen granted in that year; and this sum and the Bankers' debt, which was subsequently made redeemable and settled at 664,263*l.*, formed the national debt in 1688.

In the following tabular statement the amount, at the dates specified, of the capital debt, *funded and unfunded*, is given in the second column; the third column gives the total annual charge for the interest of the debt, funded and unfunded, including the expenses of management and the amount payable in the form of life and terminable annuities. The statement relates to Great Britain only down to the year 1793; after which it includes the debt for Ireland. The fourth column contains notes of the cause of the increase or decrease of the debt.

THE NATIONAL DEBT, 1694-1885.

Date	Capital	Annual charge	Cause of increase or decrease
1694	6,734,000	818,000	Revolution expenses, Ireland, War with France.
1697	Montague's General Fund or Mortgage.		
1702	12,750,000	1,200,000	War with France.
1715	37,000,000	3,100,000	War. Spanish Succession, 1702-13.
1717	The Aggregate Fund, Walpole's General Fund, and the Sinking Fund.		
1727	52,500,000	2,360,000	War with Spain, 1718-21. Interest reduced, 1717, 1727.
1739	46,400,000	2,000,000	The Sinking Fund.
1749	77,000,000	3,200,000	War. Right of Search and Austrian Succession, 1739-48.
1755	72,500,000	2,650,000	Interest reduced, 1750.
1775	126,000,000	4,650,000	Seven Years' war, 1756-63.
1787	Pitt's Sinking Fund and the Consolidated Fund.		
1793 ¹	239,000,000	9,400,000	War. American Independence, 1776-85.
1816	846,000,000	32,100,000	War with France and Napoleon, 1793-1816.
1829	Abolition of the Sinking Fund.		
1829	746,000,000	29,060,000	Interest reduced, 1822, 1824.
1853-4	769,000,000	27,700,000	Ditto, 1830, 1844, 1854.
1856-7	808,000,000	28,550,000	War, Crimean, 1854-6.
1868-9	749,314,000	26,691,000	
1884-5	654,000,000	28,296,000	Increased 'annual charge,' 1875. Term. Annuities, 1883.

¹ Great Britain and Ireland.

Formation of the Bank of England. Commencement of Funding Debt.

The increase in the amount of the debt between 1688 and 1694 was mainly due to loans necessary for the expenses incident to the Revolution and the war with Louis XIV. Of the $6\frac{3}{4}$ millions representing capital, only 1,200,000*l.*, which was advanced in this year by the BANK OF ENGLAND on their incorporation, was funded, at 8 per cent., that is to say, a perpetual annuity at this rate was secured to the Bank redeemable by the government of the day; the remainder was unfunded debt.

In addition to this there existed debt in the form of annuities to the amount of 313,000*l.*

Montague's General Fund or Mortgage.

The plan of raising loans was by means of tallies¹ of loan charged on and in anticipation of the produce of taxes either already granted, or granted for so many years and specially appropriated as a fund or security for the repayment of the capital and interest of the loan; and public credit was vastly strengthened when, in 1697, Charles Montague, who had been chancellor of the exchequer since 1694, on the discovery that the creditors had, in several instances, inadequate security in consequence of the shortcoming in yield of several of these taxes, and that, therefore, their tallies had fallen to a discount, further secured them, by means of the GENERAL FUND OR MORTGAGE, which, combining several of the loans, extended several of these taxes and con-

¹ The tallies were sticks notched to show the sum represented.

solidated them so as to form a general fund or security for all the loans.¹

The plan of securing a loan by means of the grant of a tax specially appropriated to the purpose for a number of years sufficient to produce the sum required to pay off capital and interest, continued in use for some time subsequently. When a further loan was required, the same tax could be and was, usually, granted for an extended term to secure the new loan. Lastly it came to be granted in perpetuity. That is the history of most of the taxes imposed in this country for some years after the Revolution.

The New East India and South Sea Companies.

As the Bank of England had been formed, in 1694, upon the basis of a loan to the state, so, four years later, in 1698, the NEW EAST INDIA COMPANY was formed for raising a loan of 2,000,000*l.*, as well as for settling the trade to the East Indies. This loan, also funded at 8 per cent., formed, with the debt to the Bank, 3,200,000*l.* of funded debt, out of a total capital debt of 12 $\frac{3}{4}$ millions in 1702.

In consequence of the feeling that prevailed regarding the insecurity of the government, the loans effected in the reign of William had all been expensive proceedings. None were effected at less than 6 per cent., besides various advantages to the lenders in the form of life annuities or annuities for terms of years. The loans in the reign of queen Anne, for the war of the Spanish Succession, which added 21 $\frac{1}{2}$ millions to the debt, were also obtained on expensive terms, but public credit was

¹ 8 & 9 Will. III. c. 20.

considerably strengthened by the formation, in 1711, of the third great company which in these times was created for fiscal purposes.

This company, Harley's SOUTH SEA COMPANY, incorporated in September in that year, was composed of holders of unsecured debt incurred in the war to the amount of about $9\frac{1}{4}$ millions,¹ who now obtained a grant of certain privileges of trading to the South Seas, and, agreeing to have their debts converted into stock with accompanying annuities at 6 per cent, obtained the security of an extension of several taxes, 'that a good, sure and lasting fund might be settled and established for paying the annuities.'

Formation of the Aggregate Fund and Walpole's General Fund with the Sinking Fund. Reduction of Interest in 1717.

In 1715, after the peace of Utrecht, when Walpole was first placed at the head of the treasury, holding the posts of first lord and chancellor of the exchequer in the administration of his brother-in-law, lord Townshend, the capital of the debt amounted to 37 millions, of which $29\frac{1}{2}$ were funded debt. The interest on some of the debts ran as high as 8, and on none was lower than 6 per cent., and the total annual charge was 3,100,000*l*. The rate of common interest for money had been reduced, in 1714, from 6 to 5 per cent.;² and public credit had been strengthened by the extension of several taxes which, before only temporary

¹ Increased to 10 millions, 1714. The interest on their debt was reduced, in 1716, from 6 to 5 per cent.

² 12 Anne, Stat. 2, c. 16.

taxes, were now granted in perpetuity and formed, with other taxes, into a general fund or security termed the *AGGREGATE FUND*.¹ Walpole was, therefore, able, after the defeat of the pretender, to take measures for the reduction of the interest on the debt, and for repayment of the principal.

Addison, in his 'Dream,'² had represented the Pretender as a young man with a sword in the right hand which he brandished at the Act of Settlement, and ('so a citizen who stood near him whispered in his ear') a sponge in his left hand; and no doubt he was correctly represented as an object of terror to 'the fair virgin, Public Credit;' but after 1716, this risk of the use of the sponge, to wipe out the national debt, was over. The Bank, whose debt, raised by advances subsequent to its incorporation, now amounted to nearly $3\frac{1}{4}$ millions, and the other creditor companies, were willing to accept a reduced interest on their debts upon the terms offered, and Walpole, having secured their co-operation, moved his resolutions on the subject in the house of commons on March 23, 1717.

The disruption of the administration through the intrigues of Sunderland prevented him from carrying his plans into effect; but he left his Bill to his successor in office saying:—'I hope it will not fare the worse for having two fathers.'

Walpole's measures passed into law with Stanhope in office; and by means of one of them, consisting of a reduction of interest on the debt, from 6 to 5 per cent., a saving of 324,456*l.* a year was effected.

¹ 1 Geo. I., Stat. 2, c. 12.

² Spectator, No. 3.

The other measure consisted of a general system for the reduction of the principal of the debt. The produce of a number of taxes was formed into a single fund termed the GENERAL FUND ; and the surplus of the produce, after payment of the charges thereon, was to be appropriated to the payment of the principal and interest of debts incurred before December 25, 1716, and declared by parliament to be national debts.

The surplus thus devoted to the abolition of debt was termed the SINKING FUND ;¹ but it may be as well to state, at once, that this Sinking Fund was before long diverted from its original purpose, and, eventually, became the principal fund from which the charge for the public expenditure was defrayed.

In 1720, by the Act which formed the prelude to that scene of excitement, trickery, confusion and dismay, known as ‘the South Sea Bubble,’ the South Sea Company, in consideration of an enormous payment, were empowered to consolidate the several floating debts by allowing the creditors to subscribe them into South Sea stock ; and provision was made for the conversion of the irredeemable terminable annuities (long and short), which formed part of the national debt, into redeemable perpetual annuities. In the result 14 millions of stock were created from redeemable debts and 12 millions from irredeemable annuities, in all, 26 millions, with an annual charge of 1,264,000*l.* ; forming a capital debt to the South Sea Company of 37,800,000*l.*, with 1,850,000*l.* of annual charge.

¹ 3 Geo. I. c. 9.

Reduction of Interest by Walpole in 1727.

The total capital of the unredeemed debt was now, in 1721, 54 millions, of which $49\frac{3}{4}$ were funded debt, and the annual charge was 2,852,000*l.* ; but, in 1727, Walpole, who was again in office, was able to reduce the rate of interest from 5 to 4 per cent. at a saving of 340,000*l.* a year.

In 1736 the Craftsman says, 'The vast load of debt under which the nation groans is the source of all these calamities and gloomy prospects of which we have so much reason to complain.' But the real grievance was the amount of taxes to be paid for interest ; and, on this ground, in 1738, the Sinking Fund was practically abandoned.¹

At that date about 16 millions had been applied from the fund to the payment of principal of debt, but the total of the debt, which had been increased by the expenses of the short war with Spain, 1718–21, was still as high as 46 millions.

The cost of the war of the Right of Search including the war with France about the Austrian Succession which followed, 1739–48, was over 43 millions, and, of this, 30 millions were added to the debt. We now abandoned the system of borrowing money in terminable annuities—life annuities or long annuities or *ton-tines*, that is to say, an annuity with the benefit of survivorship,² finding, by experience, that the subscribers to a loan, who generally have in view the sale

¹ Return Pub. Inc. and Expend. II., p. 281.

² From Tonti, a Neapolitan, who first proposed this form of loan in 1653.

of the allotted stock as soon as possible, invariably prefer a perpetual annuity redeemable by parliament to an irredeemable annuity for a long term of years of about an equal amount, in consequence of the steadiness in value which makes it the more convenient transferable stock.

The war of the Austrian Succession ended with the peace of Aix-la-Chapelle, towards the close of 1748; and in 1749 the total debt of Great Britain was as follows :—

Capital :—	£	£
Funded	71,000,000	
Unfunded	6,000,000	
	<hr/>	77,000,000
Interest, annuities, &c. :—		
Funded, including management	2,747,000	
Unfunded	233,000	
Annuities	202,000	
	<hr/>	3,188,000

From 1750 to 1775.

Reduction of Interest by Pelham.

Pelham, now at the head of a strong administration, formed upon a broad basis inclusive of members of all parties, and, therefore, termed the Broad Bottom administration, held the two posts of first lord of the treasury and chancellor of the exchequer, as they had been held by Stanhope and by Walpole when prime ministers with seats in the house of commons. Nothing, it was allowed, could ‘so effectually contribute to make the trade of the kingdom flourish and render his Majesty’s reign glorious to posterity, as the lessening of the public debts and incumbrances, consistent with justice and

Dividend. The annuities thus dealt with, representing capital to an amount, in round numbers, of 9,000,000*l.*, were made payable in half-yearly *dividends*, on January 5 and July 5, days which represented Christmas day and Midsummer day, under the rearrangement of the calendar which Chesterfield had been so instrumental in effecting in 1751.

The other consolidation had relation to the annuities at $3\frac{1}{2}$ per cent. subscribed under the Act of 1750. These, formed into a single joint stock of annuities, were also charged upon the Sinking Fund, or surplus arising from the Aggregate Fund, to which the several funds on which they had previously been secured were now added, and were made payable in half-yearly dividends, on April 5 and October 10, which represented the old Lady day and Michaelmas. Representing capital to the amount, in round numbers, of 17,500,000*l.*, they were, as before stated, to be reduced after December 25, 1757, to 3 per cents.¹

Such was the origin of the famous stocks so largely increased by additions under the provisions of loan and funding Acts in after years :—the 3 per cent. consolidated annuities or, shortly, the ‘CONSOLS’ and the ‘REDUCED 3 PER CENTS.’

Four years after this, we commenced the war known as the Seven Years’ War; and our debt, which had decreased to $72\frac{1}{2}$ millions for 1755, the year before the war, had been considerably increased by loans before 1761, when the particulars of the capital were as follows :—

¹ 25 Geo. II. c. 27.

3 per cents. :—	£
Bank of England	11,600,000
East India Company	4,200,000
South Sea Company	27,100,000
Consols and Reduced	40,300,000
3½ per cents., part redeemable in 1771; 4½ millions to be reduced to 3 per cents. in 1782	6,000,000
4 per cents., to be reduced to 3 per cent. in 1781	8,240,000

forming a total of about $97\frac{1}{2}$ millions.

The total of the loans in the war was 53 millions, and the amount of capital funded, $54\frac{1}{4}$ millions; and in 1775, the year before the outbreak of the war with America, the debt of Great Britain was as follows:—

Capital :—	£	£
Funded	123,000,000	
Unfunded	3,000,000	
	—————	126,000,000
Interest, annuities, &c. :—		
Funded, including management	3,970,000	
Unfunded	220,000	
Annuities	460,000	
	—————	4,650,000

The War of American Independence.

The war of American Independence was still more costly to us, the loans in the war amounting to 91 millions. Moreover for this 91 millions cash we funded capital to the amount of 115 millions. This excess in the capital funded when compared with the amount of the loans was due to an alteration, in 1781, in the practice of raising loans by the creation of funded debt. Hitherto the rule, with some few exceptions, had been not to assign to the public creditor stock exceeding in amount the sum advanced by him to the government.

The interest upon the loan of the year was regulated by reference to the state of the money market; and annuities for terms of years or for lives were granted as bonuses on many of the loans, or advantages connected with lotteries, the bonuses to the fortunate tickets frequently amounting to a considerable sum; but, as a rule, no addition was made to capital stock. This practice had been followed by North, and in 1780, for the loan of 12 millions, 4 per cents. at par were given with 1*l.* 16*s.* 3*d.* long annuity. In 1781, however, he was compelled by the taste of the public for loans at a low rate of interest, to depart from the ordinary practice and negotiate the loan of 12 millions in that year by assigning to the public creditor 18 millions of 3 per cent. stock and 3 millions of 4 per cent. stock. Hardly any act of his caused more severe remarks in the House and outside the House, than the negotiation of this loan. All sorts of advantages, it was said, had been given to partisans of the government. It is questionable, however, whether at the time so large a sum could have been obtained, at once, on better terms; and, in the event, to cover the four loans in 1781-4 inclusive, amounting to 43½ millions, capital stock was created to the amount of 65¼ millions.

From 1785 to 1793.

Creation of the Sinking Fund and the Consolidated Fund.

After the war, steps were taken by Pitt for the reduction of the debt. In 1786, having formed a committee of the house of commons to inquire into the ordinary income and expenditure of the country,

upon their report that, in time of peace, a surplus of about a million might be expected, he settled and proposed a new scheme which he recommended to the House as 'the establishment upon a spirited and permanent plan of the means of relieving the nation from all incumbrances'; and the plan was as follows:—

A set of trustees, being personages of the highest position, were to be appointed COMMISSIONERS FOR THE REDUCTION OF THE NATIONAL DEBT. To them 1,000,000*l.* was to be paid annually out of the national income; and for them any existing life or terminable annuities which expired were thenceforth to be renewed in the form of permanent annuities. With the money from these sources the commissioners were to purchase stock which was to be transferred into their names; and the dividends which they would thenceforth receive from this source were to be invested, as the rest of their income, in further purchases of stock. This process was to be continued until the time when the income of the commissioners from all sources should amount to 4 millions, when the dividends on the stock purchased were to cease and the stock was to be cancelled, and any life and terminable annuities should from their expiration cease.¹

This scheme for a SINKING FUND passed into law, and in 1792 and 1793, Pitt was able to reinforce the fund by—an additional 200,000*l.* a year, to be paid from the national income;² a further sum, to be paid to the

¹ This provision was repealed, in 1802, by the Sinking Fund Act, 42 Geo. III. c. 71.

² This amount was appropriated to the Sinking Fund by annual grants until 1802, when it was made a permanent charge out of the Consolidated Fund.

commissioners annually, equal in amount to any saving which might be effected by the reduction of interest on the national debt;¹ and a provision which proved, in the events that happened, to be of the highest importance, viz. that the income of the commissioners should be increased by 1 per cent., to be paid to them, upon all new loans for public purposes.²

This Sinking Fund was fed from a general reservoir, formed by Pitt for the reception of the produce of all the permanent taxes from which the national income is derived, and termed the CONSOLIDATED FUND.

About 10 millions of 3 per cent. stock, carrying dividends to the amount of 300,000*l.* a year, had been purchased by these commissioners for the reduction of the national debt, before the outbreak of the war with Revolutionary France; and this was the only change in the funded debt effected between 1786 and 1793. The particulars of the capital debt now stood as follows:—

3 per cents. :—	£
Bank of England	11,600,000
East India Company.	4,200,000
South Sea Company	22,500,000
Consols and Reduced	139,000,000
4 per cents.	32,750,000
5 per cents. ³	18,000,000

In this year the debt to the East India company was consolidated with the 3 per cents. reduced, and the consolidation was to be taken as a redemption of

¹ This provision was repealed in 1802.

² 26 Geo. III. c. 31; 32 Geo. III. cc. 12, 55.

³ Formed by funding unfunded debt, in 1785 and 1786.

the debt as between the company and the public.¹ And, as the magnitude attained by the Consols, Reduced, and 4 per cent. Stocks has dwarfed into comparative insignificance the debts to the Bank and the South Sea company, it will be well to take the opportunity of clearing these from the score as particular items. Their future history is stated as briefly as possible in the note below;² and henceforth they are included in the general heading of capital debt.

The total of the items before stated is about 228 millions, which, with about 9 millions of unfunded debt, formed the debt for Great Britain in 1793. The debt of Ireland (funded and unfunded) amounted to $2\frac{1}{4}$ millions; and the total unredeemed debt of Great Britain and Ireland was as follows:—

Capital:—	£	£
Funded	229,000,000	
Unfunded	10,000,000	
	<hr/>	239,000,000
Interest, annuities, &c. :—		
Funded, including management	7,700,000	
Unfunded	400,000	
Annuities	1,300,000	
	<hr/>	9,400,000

¹ 33 Geo. III. c. 47.

² The future history of the debt to the Bank, briefly stated, is that, increased to nearly 15 millions in the first decade of the nineteenth century, it was subsequently reduced to 11 millions, its subsisting amount at the present day. Of the debt to the South Sea company, 15 millions were purchased on account of the Sinking Fund between 1786 and 1830, and subsequently cancelled; the remainder, reduced by the operation of the new Sinking Fund to 8,890,000*l.*, was, in 1853, commuted or discharged under an arrangement effected by Mr. Gladstone. $7\frac{1}{2}$ millions were paid off; and more than $1\frac{1}{4}$ millions, funded in 103,000*l.* $3\frac{1}{2}$ per cents. and 1,188,000*l.* $2\frac{1}{2}$ per cents.

From 1793 to 1816.

Loan con-
tractors.

In the Great War, which lasted, with a short interval of peace, until 1816, we received, in cash, 498 millions from loans. But this sum by no means represents the amount of debt we incurred. Pitt managed his loan transactions through loan contractors, and not, as had formerly been the practice, by means of open subscriptions at the Bank for persons accepting the terms proposed by government; and, as the loan contractors advised him, or he was otherwise induced to believe, that the public preferred to lend money in a low priced stock, borrowed all his loans in nominal capital, fixing the funds in which the loan should be made, giving public notice for tenders, and assigning the loan to the person or persons proposing the lowest terms. Of this system of dealing with loan contractors, intermediaries who have to make the business profitable to themselves, but who, on the other hand, have special facilities for money transactions, and borrowing in nominal stock, which may have been at the time a necessary system, we have only here to record the results: for the loan of $7\frac{1}{2}$ millions, in 1796, 145*l.* 3 per cents. and 5*s.* 6*d.* long annuity were given; in 1797, 175*l.* 3 per cents., 20*l.* 4 per cents., and 6*s.* long annuity, for the loan of $14\frac{1}{2}$ millions; and, in 1798, no less than 200*l.* 3 per cents. and 4*s.* 11*d.* long annuity, for the loan of 17 millions. The funds had now reached the lowest point of depression recorded in their history. On September 20, 1797, on the receipt of news from France that negotiations for peace with the Republic

had failed, the price of 3 per cents. went down to $47\frac{3}{8}$ ths.

Under the combined operation of Pitt's plan for the redemption of the land tax by the purchase of stock, and the imposition of the income tax, the national credit revived; but, notwithstanding this improvement in our financial position, in the result, for the 498 millions we received in cash for loans in the war, we had to create debt in the form of stock to the amount of 773 millions, with annuities or dividends amounting to $24\frac{1}{2}$ millions and special annuities to the amount of 879,000*l*. Add to this that we funded, that is to say, converted into stock, unfunded debt to the amount of 86 millions, creating capital stock to the amount of 108 millions, and we have a total of 881 millions, with annuities or dividends to the amount of $29\frac{1}{2}$ millions and terminable annuities to the amount of 884,000*l*.

Revival of credit.

This amount should not, however, be scored up as all unredeemed debt. During the whole of this borrowing period, the Sinking Fund continued in operation, absorbing about one-third of the whole amount raised in loans, with this result that as the annual charge for interest on the total of the loans amounted to 5*l*. 3*s*. 9*d*. per cent., while the interest on the debt purchased by the commissioners amounted to 4*l*. 16*s*. 8*d*. per cent., the difference of interest, equal to 7*s*. 1*d*., or more than $\frac{1}{3}$ rd per cent., on a total of 192 millions, amounting to 889,668*l*. per annum, represents the additional charge to the public due to the effect of the Sinking Fund operations up to 1817.

Loans for the Sinking Fund.

The total unredeemed debt for the United Kingdom stood in 1816,¹ as follows:—

Capital :—		£	£
Funded		796,000,000	
Unfunded		50,000,000	
		—————	846,000,000
Interest, annuities, &c. :—			
Funded, including management		28,000,000	
Unfunded		2,200,000	
Annuities		1,900,000	
		—————	32,100,000

From 1816 to 1829.

Abandonment of the old Sinking Fund.

Twelve years passed before we worked ourselves free from the oppression of the incubus of the Sinking Fund.

Notwithstanding a resolution passed by the house of commons in June 1819 that, in order to provide for the exigencies of the public service and at the same time make such progressive reduction of the national debt as might adequately support public credit, it was necessary that there should be ‘a clear surplus income of the country over the expenditure, of not less than 5 millions a year’; and notwithstanding the effect given to this resolution by the imposition of taxes for the purpose, the Sinking Fund, which now absorbed 15 millions a year, was allowed to continue. Eventually, however, a practice of easing off the weight of it, by borrowing from the commissioners a part, more or less, towards the expenses of the year, commenced and subsequently became customary, until it was discontinued

¹ Year ended January 5, 1817.

in 1822 upon the recommendation of the Committee of Public Accounts.¹ This committee reported that steps should be taken to reduce the amount of the nominal Sinking Fund, and accordingly a considerable portion of the redeemed capital stock of funded debt in the names of the commissioners for the reduction of the debt was cancelled in this year,² and the remainder in 1823. A new plan was now started : 5 millions a year was to be set apart out of the Consolidated fund and issued quarterly for the Sinking Fund ; and this plan prevailed until 1828, when the Finance Committee of that year recommended that, every year, in estimating the supply and ways and means the necessity of a surplus of not less than 3,000,000*l.* should be kept in view ; but they were careful to add that in case the eventual annual surplus should not amount to 3 millions, the deficiency ought not to be supplied by borrowing.

After this it is not surprising to find lord Congleton urging, on behalf of the taxpayers, the claim for reduction of some of the vexatious and pernicious taxes with which the nation was then oppressed, as superior to that of the Sinking Fund. And eventually, in 1829, we abandoned this complicated device for persuading people that they can pay off their debt by any other means than that of providing a large excess of revenue over expenditure.³

Before parting with the Sinking Fund, if we sum up the expense to us of this plan for the payment of debt which amused and deluded our ancestors, we

Cost of the
Sinking
Fund.

¹ Report 31 July, 1822.

² 3 Geo. IV. cc. 68, 89, 63.

³ 9 Geo. IV. c. 90 ; 10 Geo. IV. c. 27.

find that, in increased annual charge of our funded debt, the Sinking Fund cost us 1,627,765*l*.

Henceforth, we contented ourselves with a very simple arrangement, by which the 'actual surplus revenue of the United Kingdom beyond the actual annual expenditure' is devoted to the payment of debt. Under this arrangement, which continues in operation at the present day, every quarter, the surplus revenue for the year up to that quarter is ascertained by the treasury, and is paid over to the national debt commissioners to be by them applied towards the reduction of the debt.¹

To resume. Between 1816 and 1830 funded debt was created for loans, principally on account of the Sinking Fund, to the amount of 141 millions; but, on the other hand, we redeemed 173 millions, 160 by means of the Sinking Fund, so that the total was decreased by about 32 millions.

Reduction of Interest.

In the same period the annual charge upon the debt was reduced by more than $1\frac{1}{2}$ million by conversions of stock. In the war, we had funded, in 5 per cent. stock, a considerable amount of unfunded navy debt, the loyalty loan of 18 millions in 1797, part of the loans in 1814 and 1815, and other sums amounting altogether to no inconsiderable portion of the funded debt.

Where are those martyr'd saints the 5 per cents?

¹ 10 Geo. IV. c. 27; Exchequer and Audit Act, 1866—29 & 30 Vict. c. 39.

wrote Byron in 1823. The answer is that to the 5 per cents. Vansittart had applied, in the previous year, the principle of the reductions of interest effected in 1717, 1727, and 1750. Converted, in 1822, to 4 per cents., they were now represented by 157 millions of new stock at that reduced rate, the gain to the public being 1,200,000*l.* a year.

The poet did not live to assist memory by a chronicle in song of a similar reduction effected by Robinson in 1824 as regards the old 4 per cents., which were converted into 76 millions of stock at the reduced rate of 3½ per cent., at a further saving to the public of 381,242*l.* a year.

In 1829 ¹ the unredeemed debt stood as follows:—

Capital:—	£	£
Funded	771,000,000	
Unfunded	25,000,000	
	<hr/>	796,000,000

Interest, &c. :—	
Funded, and management	25,600,000
Unfunded	780,000
Annuities	2,680,000
	<hr/>
	29,060,000

From 1829 to 1869.

Between 1829 and 1869 we created funded debt for loans and by funding exchequer bills to the amount of 90 millions, including 20 millions for the slave compensation loans of 1835 and 1836; 9 for the loan for the Irish famine in 1847; 2½ for the deficiency of Slave loans.

¹ Year ended January 5, 1830.

revenue in 1848; and 43 for the war with Russia. On the other hand, we redeemed 121 millions, so that the total funded debt was decreased by about 31 millions.

In the same period the annual charge on the funded debt was reduced by 2 millions, the result of further conversions of stock:— (1) In 1830, the 4 per cents. representative of the ‘martyr’d saints’ of 1822, were exchanged for new stock, and henceforth were represented by 150 millions of $3\frac{1}{2}$ per cents., irredeemable for ten years,¹ the saving to the public being 750,000*l.* a year. (2) In 1844, this $3\frac{1}{2}$ stock, then 157 millions, and all the other unredeemed $3\frac{1}{2}$ per cents., viz., those formed in 1824, now 67 millions, those formed in 1818, now 9 millions, and 14 millions of old $3\frac{1}{2}$ per cent. stock and debentures, were reduced to $3\frac{1}{4}$ per cents. for ten years. (3) On October 1854, these $3\frac{1}{4}$ per cents. became 248,000,000*l.* of NEW 3 PER CENTS. The saving to the public from the conversions of stock in 1844 and 1854, was 621,500*l.* and 618,500*l.*, or, in all, 1,240,000*l.* a year.

We have now before us the three great stocks which represent, practically, the capital of the national debt; and in 1863 they were, in amount, as follows:—

	£
Consols	395,000,000
New 3 per cents.	220,000,000
3 per cents. Reduced	106,000,000

Let us now place side by side the totals of the unredeemed debt in 1816 and 1869:—

¹ 11 Geo. IV. c. 13.

Capital :—	1816	1869
Funded	£796,000,000	£740,000,000
Unfunded	50,000,000	9,000,000
	£846,000,000	£749,000,000
Interest, &c. :—		
Funded and management	£28,000,000	£22,500,000
Unfunded	2,200,000	200,000
Annuities	1,900,000	4,000,000
	£32,100,000	£26,700,000

This shows, in the 53 years, a reduction, effected in the total of the capital debt, amounting to 97 millions.

The increase under the head of annuities should be noted as of special importance. The policy of the reduction of debt by means of terminable annuities in the nature of a sinking fund had prevailed for more than half a century, and had recently been acted upon by the late earl of Beaconsfield, who, in 1867, on the expiration of the Dead Weight Annuity,¹ had created annuities terminating in 1885 to the amount of $1\frac{3}{4}$ millions, in cancellation of 24 millions of debt.²

From 1869 to 1885.

The nation had now entered upon that memorable period in which our advance in prosperity was 'by leaps and bounds.' The yield of the revenue frequently exceeded the cautious estimates upon which the chancellor of the exchequer had been advised to base his budget. Under the provisions of the law,

¹ The Dead Weight Annuity was the outcome of an intricate plan of Mr. Vansittart's, in 1822, for extending the annual charge for what is termed 'non-effective service'—half-pay, pensions, &c., an item which had increased to considerable dimensions since the war, so as to cover, at a reduced rate, a longer period of years than that which the existing charge was estimated to cover.

² 30 & 31 Vict. c. 26.

every quarter, the overflow for the year reckoned up to that quarter, was caught and conveyed into the hands of the National Debt commissioners, to be applied by them to the cancellation of debt, and in the whole the surpluses thus applied amounted to a considerable sum. But our attention had been and still was mainly devoted to the reduction of taxation ; and in the seven years, 1864–70, inclusive, we gave up over 11 millions of revenue from taxes repealed or reduced, on fire insurance, sugar, tea, timber, pepper, marine insurance and corn, including 1*d.* of income tax, the rate for which was increased by the additional 2*d.* of 1870 to 6*d.*, as against 7*d.*, the rate for 1863. In short, *no distinct effort was made, in this period of remarkable prosperity, to effect any such substantial reduction of the debt as, in the circumstances, might have been expected.*

This ‘evidence of a feeling that seemed to be gaining ground that all we had to do was to make things easy for the present and disregard alike those that came before and those who were to come after us,’ gave occasion for a trenchant attack upon ‘English luxury as it is now called in France’ made by the present viscount Sherbrooke in his famous speech on the National Debt, which was subsequently published with the pregnant motto—

‘Cur, improbe, carae

Non aliquid patriae tanto metiris acervo.’

But the evidence produced in this speech of ‘such prosperity in a nation as the world never saw,’ failed to convince the nation of the advisability of a large and immediate reduction of debt. On the contrary, it

was considered to prove that we could easily continue to bear a weight of from 600 to 700 millions.

Statesmen on both sides of the House took a more careful and a less light-hearted view of the burden of our liabilities ; and in 1875 a further provision for the gradual extinction of debt was made by the late earl of Idlesleigh, then sir Stafford Northcote, as follows :—

The annual charge for interest and annuities on the debt, which was then $27\frac{1}{4}$ millions, would be raised—

in 1875-6 to	£27,400,000,
„ 1876-7 „	27,700,000,
„ 1877-8 „	28,000,000,

which thenceforth was to be considered to be the 'annual charge' on the debt. The extent to which this 'annual charge' was nominal or merely statutory formed a NEW SINKING FUND, or sum applicable, in the same way as the old Sinking Fund, to payment of debt.¹

The annual charge reached its full dimension of 28 millions ; and in 1880 the new sinking fund, which was then 625,000*l.*, was taken for five years in part payment of the warlike expenditure relating to the Eastern question.

A third sinking fund was created, under the National Debt Act, 1881²—applicable to certain perpetual annuities to be created, under the Act, in lieu of exchequer bonds to the amount of $7\frac{3}{4}$ millions.

The policy of terminable annuities was continued by the National Debt Act, 1883. Annuities to the amount of over 5 millions would expire in 1885.³

¹ Sinking Fund Act, 1875—38 & 39 Vict. c. 45.

² 44 & 45 Vict. c. 55.

³ Viz. : for fortifications, 588,000*l.* ; localisation of military forces,

Certain of these annuities were now extended, so as to form 684,000*l.* of annuities expiring in 1903. Power was given to the treasury to create, in three sets, 3,600,000*l.* of terminable annuities in cancellation of stock of the trustee savings banks and post office savings banks, and also to convert 40 millions of chancery suitors' stock into terminable annuities. And, under the Act, annuities were accordingly created amounting in the whole to close upon 7 millions.¹

The Act directed that a table should be prepared to show the amount of capital to be paid off in every year by the agency of the savings banks and chancery annuities. A similar calculation was easily made as regards the renewed annuities. Under proper regulation all the annuities, being payable to public departments, could be withheld without injury or inconvenience to individuals, and without damage to the fund on account of which they are held.² Therefore, the Sinking Fund they established was still available upon urgent occasion, such as war or warlike preparations, for application towards the payment of the additional expenditure of the year.

In this view, mr. Childers proposed in his budget arrangements for 1885-6, to apply, towards meeting the deficiency of the year, the portion of the annuities

378,000*l.*; in lieu of savings banks' stock, 3,617,000*l.*; and portion of annuities under the National Debt Act, 1880, 550,000*l.* See 46 & 47 Vict. c. 54.

	£	£
¹ Savings Banks Annuities . . .	3,600,000	
Chancery Annuities . . .	2,665,835	
Renewed Annuities . . .	684,022	
	<hr/>	6,949,857

² Treasury Minute. Sinking Fund Suspension, May 11, 1885.

that represented repayment of capital, the amount of which was ascertained to be, for the year, 4,672,978*l.*; and, eventually, after the change of government, sir Michael Hicks-Beach, his successor in office, adopting, in its fullest extent, the principle of the proposal, suspended for the same purpose also the new Sinking Fund under the Act of 1875.¹

AMOUNT OF THE NATIONAL DEBT IN 1885.

Funded Debt	£640,000,000
Unfunded	14,000,000
Total	654,000,000
Value in stock at par of terminable annuities	86,115,000
	£740,115,000

PARTICULARS OF THE CAPITAL OF THE FUNDED DEBT.

March 31, 1885.

3 per cents. :—

Consols	£330,292,000
Reduced	77,680,000
New	180,458,000
Bank of England	11,015,000
„ Ireland	2,630,000

3½ per cents. 225,000

2¾ per cents. 4,647,000

2½ per cents. :—

Annuities ²	32,810,000
Exchequer bonds ³	418,000

£640,175,000⁴

¹ The Sinking Fund from terminable annuities was not touched for the purposes of the budget of 1886; but sir William Vernon Harcourt took, towards the expenses of the year, the new Sinking Fund, then 613,000*l.*, and the Sinking Fund under the Act of 1881, then 205,000*l.*, forming a total of 818,000*l.*

² Created under the Act of 1884, 47 & 48 Vict. c. 23.

³ 16 & 17 Vict. c. 23.

⁴ With the hundreds, 640,181,896*l.* Finance Accounts, 1884–5.

ARRANGEMENTS EXISTING IN 1885 FOR PAYING OFF DEBT BY MEANS OF SINKING FUNDS—A TERM MEANING ANNUAL SUM APPLICABLE TO THAT PURPOSE.

1. The old Sinking Fund, viz. the surplus of income over expenditure.
2. The New Sinking Fund, in the form of an addition to the 'annual charge' on the debt.
3. The Sinking Fund from terminable annuities, viz. the amount of capital paid off by their agency.
4. The Sinking Fund under the Act of 1881.

TERMINABLE AND OTHER ANNUITIES IN 1885.

Terminable Annuities :—

Savings Banks (Trustee and Post Office)

	£
expiring in 1888 . . .	1,200,000
„ „ 1892 . . .	400,000
„ „ 1893 . . .	800,000
„ „ 1898 . . .	1,200,000
	<hr/>
	3,600,000
Chancery suitors', expiring in 1903 . . .	2,665,000
Renewed annuities, Savings Banks (Trustee and Post Office), expiring in 1903 . . .	684,000
Government life annuities ¹ . . .	1,054,000
	<hr/>
	£8,003,000

Annual Charge for Management.

About 200,000*l.*

The debt, funded and unfunded, is managed by the Bank, who receive, in respect of the funded debt, 180,000*l.* per annum and, in addition, 150*l.* for every million over 600 millions. The amount for this purpose is arrived at by adding to the unredemmed debt a

¹ Under the Government Annuities Acts, 1829 to 1882, viz. 10 Geo. IV. c. 24; 3 & 4 Will. III. c. 14; 16 & 17 Vict. c. 45; 27 and 28 Vict. c. 43; 45 & 46 Vict. c. 51.

nominal amount to represent capital debt converted into existing terminable annuities. This amount is arrived at by a statutory valuation of the annuities. In respect of the unfunded debt—exchequer bills, bonds, and treasury bills, the Bank receive at the rate of 100*l.* per million. The Bank of Ireland receive, for unredeemed debt, 13,099*l.* a year.¹

¹ Bank of England Payments Act, 24 & 25 Vict. c. 3; and 28 & 29 Vict. c. 16.

CHAPTER III.

THE ARMY AND NAVY.

*(Peace Establishment.)*26 $\frac{3}{4}$ millions.

THE following tabular statement gives, approximately, the average annual peace establishment at specified dates from 1685 to 1885, of the spending services, as they are termed, viz. the army and navy services, including the old ordnance, which formed a separate service until 1854.¹

Before the Great War with France.

Date	£	Date	£
1685-7	1,100,000	1753-5	2,000,000
1698-1700	1,300,000	1773-5	3,810,000
1715-17	1,720,000	1790-2	6,250,000 ²
1736-8	1,850,000		

After the Great War, 1816-53.

Date	Army	Navy	Army and Navy
1825-52	8 $\frac{3}{4}$	6 $\frac{1}{4}$	15 to 16 mill.
1851-2 & 3			15 $\frac{1}{2}$

After the War with Russia.

Date	Army	Navy	Army and Navy	Date	Army	Navy	Army and Navy
1859-73	15	10 $\frac{1}{2}$	25 to 26	1880-1	14 $\frac{1}{4}$	10 $\frac{1}{4}$	24 $\frac{1}{2}$
1875-6 ³	14 $\frac{1}{2}$	10 $\frac{3}{4}$	25 $\frac{1}{4}$	1881-2	14 $\frac{3}{4}$	„	25
1876-7	„	11	25 $\frac{1}{2}$	1882-3	15 $\frac{1}{4}$	„	25 $\frac{1}{2}$
1877-8	14 $\frac{1}{4}$	10 $\frac{3}{4}$	25	1883-4	15 $\frac{3}{4}$	10 $\frac{1}{2}$	26 $\frac{1}{4}$
1878-9	14 $\frac{3}{4}$	„	25 $\frac{1}{2}$	1884-5	16	10 $\frac{3}{4}$	26 $\frac{3}{4}$
1879-80	15	10 $\frac{1}{4}$	25 $\frac{1}{4}$				

¹ Return Pub. Inc. and Expend. II. 707, and Finance Accounts.² Expenditure abnormally high in consequence of preparations against Spain and Russia.³ From 1875 the figures are taken from the Return of Public Income

I. THE ARMY.

16 millions.

Under the feudal or military system that prevailed in England in former times, although the expenses of war fell, in the main, upon the military tenants of the crown, the burghers or bourgeoisie were liable to a tallage or tax, even to the tenth part of their goods, for the expenses incurred in an expedition. For this they usually compounded with the king's officers before the expedition; and, eventually, they bore their part of the burden of war under the various systems of taxation for war that were used during the Plantagenet, Tudor and Stuart periods.

The armed force that existed contemporaneously with the military system and is represented in our times by the militia, renovated by Henry II.'s Assize of Arms, and further required to keep arms ready for service by Edward I.'s Statute of Winchester, was limited, in its sphere of action, to the county. And when, after the rebellion, in Norfolk, against inclosures and, in the West, against the new service book, in the reign of Edward VI., lords lieutenant were appointed by royal commission in the various counties, this force continued to be under their command, as representa-

and Expenditure from 1875-6 to 1884-5, March 22, 1886; and the amounts under the head of Army include the Indian Home charges, allowing a deduction for the contributions from the Indian revenues, and deductions for contributions from colonial governments, and for the amount received by sales of old stores, an item which before June 1881 was included in the returns under the head of Miscellaneous Receipts, but since then has been taken in reduction of expenditure.

tives of the king, down to the time when the question of commissions of array caused the final rupture between Charles I. and the parliament.

The 'New Model' army of the commonwealth, which was upon the plan of Cromwell's Ironsides, may be regarded as the first standing army kept in this country. Originally the force was to a considerable degree self-maintaining; subsequently, taxes for its support were levied in the form of a tenth on the lands of the cavaliers.

After the restoration of the monarchy, the army was disbanded, except General Monk's regiment, the 'Coldstream,' which, retained in the king's service as a regiment of guards, formed, with another regiment out of troops brought from Dunkirk, the nucleus of our future army.

A contest now commenced between the king and the parliament regarding the establishment of a standing army in time of peace.

In France the work of Richelieu and his successor Mazarin had resulted in absolutism, established for the king principally by means of a large standing army. The splendour of the court of Versailles, the brilliancy of the reign of Louis XIV., and his despotism, so flattering to the pride of kings, had their influence on Charles II.; and, in all things an imitator of the Great Monarch, he specially desired to keep on foot a considerable body of troops. 'The king,' Pepys is informed in 1667, 'is now raising a landed army, which the parliament and the kingdom will never bear. The design is, and the duke of York is hot for it, to have

a land army and so to make the government like that of France.'

The English people, on the other hand, regarded the militia and the train bands as sufficient safeguards of the kingdom, and detested the very name of a standing army, considering such a force to be a foreign innovation and its existence a badge of slavery; while the Commons had what in our days we term 'a most wholesome horror' of standing armies, remembering the use to which soldiers had been put in the case of colonel Pride's purge, and on other occasions, more particularly, the memorable occasion when Cromwell, pointing to the Mace on the table of the House, had added, 'Take away *that bauble*.'

Without money there could be no army, that was clear. The king had of his own little to spare for the purpose. And the Commons guarded their grants from misapplication by introducing a principle which thenceforth became an undisputed principle recognised by frequent and at length by constant practice: that the application of supplies granted by parliament is to be strictly limited to the particular objects for which the supplies are granted.

In the same view, on every occasion when it was necessary to raise additional troops, as for instance, after the panic caused in 1667 by the Dutch in the Medway; for the second Dutch war in 1673; and, more especially, when a large force was suddenly raised, in 1677-8, ostensibly for war with France, the Commons regarded the new levies with jealousy and, when the peril was past, were clamorous for their abolition. But notwith-

standing the general feeling against a standing army, king Charles was able to keep on foot about 5,000 regular troops as guards and for garrisons.

The
Militia.

On the other hand, the militia was now reconstructed¹ and declared to be wholly in the king's hands and not in the hands of parliament. The force was to be mustered and arrayed by lords lieutenant commissioned by the king. In case of insurrection, rebellion or invasion, the militia of any particular county might be sent out into other counties; but the force was not to be available for service out of the kingdom. The men, horse and foot, were to be provided by persons having a certain specified amount of income or property, who were compelled to find a horse, horseman and arms, or a foot soldier and arms, one or more, according to their fortune, and pay a daily wage of 2s. for man and horse, and 1s. for foot soldier, when out for exercise or muster, and a month's pay when called out in case of insurrection, rebellion or invasion. The remaining expenses, including the cost of ammunition, were to be defrayed by a rate on the county.

The disposition evidenced by James II. to keep a considerable army, the increase made by him in the number of his troops, his appointments of Roman Catholic officers to commands, and the camp he established at Hounslow for the purpose of overawing the capital, confirmed the apprehensions of the people, increased their dislike to soldiers, and led, after the revolution in the monarchy, to the formal declaration, in the Bill of Rights, that 'the raising or keeping a

¹ 13 & 14 Car. II. c. 3.

standing army within the kingdom in time of peace, unless it be with consent of parliament, is against law.'

Any infringement of the law was rendered practically impossible by the retention, in the hands of parliament, of the power of the purse, and by the necessity of martial law for the management of soldiers. The king could not levy any tax or impost; and parliament, by granting certain of the taxes for a limited time only, secured this question of payment. The king could not punish soldiers or sailors by martial law, except in violation of the provisions of the Petition of Right; and parliament, by limiting the concession of the power of courts martial to the term of a year, secured this question of management.

Limited
grant of
taxes.

The first Act for the punishment of mutiny and desertion was passed in consequence of the mutiny, in 1689, of a regiment at Ipswich, and the march of the mutineers northwards to Scotland. It was limited, carefully, in its duration, to the term of a year; and henceforth an annual Act was passed embodying the assent of parliament to the keeping of a certain number of soldiers for the year, and imposing penalties for false musters, while it sanctioned the articles of war and courts martial necessary for the punishment of mutiny and desertion.

Annual
Mutiny
Act.

After the peace of Ryswick, in 1697, the question of a standing army was again raised. All the arguments for and against standing armies were stated and examined, by Somers, in his famous 'Balancing Letter,' and the question was fully discussed in the House. The king, in view of the state of affairs on the continent,

was extremely reluctant to break up his well-seasoned forces; and it was admitted in many quarters, that in modern warfare the superiority of regular, to half-trained troops was incontestable. But the detestation of standing armies prevailed in parliament to effect a reduction of the forces to the number kept in the time of Charles II. for guards and garrisons; and William had even to part with his famous Dutch guards.

A garrison was necessary for Gibraltar, which became ours in 1704; and another for Minorca, which was taken for us in 1708; and the number of the forces for guards and garrisons, augmented in the reign of George I. by 4,000 men, stood in the last estimate of the reign at 18,226.¹

In the pacific times of Walpole the number of troops kept was about 17,000, to include the garrisons of Gibraltar and Minorca, but independent of the Irish establishment.

The Commons continued to show an extreme jealousy of any increase in the number of soldiers; and in the annual Mutiny Act the chief ground for the existence of the army was carefully stated to be the *preservation of the balance of power* in Europe. It was not merely a party question: in 1741, we find Pelham joining with Pulteney in opposition to the erection of barracks—without which it was, of course, necessary, at the end of a war, at once to reduce the number of the forces—on the ground that the separation thus effected between the soldiers and the people

Barracks.

¹ After 1721, the number for the year is stated in the annual Mutiny Act.

was unconstitutional. And Chatham, our great 'war' minister, was notoriously adverse to any permanent increase in the standing army. In this view, when in power in 1757, after the panic of the expected French invasion, regarding 'a well ordered and well disciplined militia to be essential to the safety, peace and prosperity of the kingdom,' he effected a reorganisation of this national force.

A certain number of men to be raised in every county was settled by act of parliament, amounting in all to a force of 28,840 men for England and 1,820 for Wales. They were to be chosen by ballot from those between 18 and 50 years of age. And, in the event of rebellion or invasion, power was given to the king to call out and embody this militia, and place them under the command of general officers. In which case they were to receive the same pay as his Majesty's forces and were to be subject to the articles of war.¹

The charges for pay and clothing of the disembodied militia were to be paid by the receiver general of land tax of the county, out of the gross revenue from the land tax.²

Chatham's militia was not, however, a success. The ignorance or inactivity of the lords lieutenant and deputy-lieutenants, and grants of commissions to contemptible persons as officers, threw a ridicule upon the establishment, and rendered gentlemen of worth, spirit and capacity unwilling to offer their services.³

¹ 30 Geo. II. c. 25.

² This practice was continued up to 1830, when the practice of calling out the militia annually was discontinued.

³ Smollett, v. 37, Ann. 1759.

From 1766-9, the average annual expenditure on the army, including the land service of ordnance, was 1,800,000*l.*; ¹ and in 1775, the year before the outbreak of the war with America, the forces consisted of 70 regiments of 474 men.²

After the war the peace establishment was settled, in 1783, at 68 regiments; and in 1786 it was estimated that two millions per annum would be sufficient for the permanent peace establishment of the future. The actual average cost from 1786-91 was 1,928,000*l.*; while the charge for the ordnance, including sea service, was 487,000*l.*

The establishment, increased by 3,000 men, first voted in 1787-8, consisted, in 1790, of 77 regiments of 466 men, when that debate in the house of commons on the subject of the army estimates took place which is famous as the occasion of the rupture between Fox and Burke, who condemned the action of the French army in their assumption of citizenship and their desertion of their king.³

Rupture
between
Fox and
Burke.

At this date the expenditure was for

	£
Ordinary services	1,517,616
Extraordinary	356,458
	<hr/> 1,874,074
Ordnance	457,000

And the finance committee of 1791 estimated the future peace establishment at 1,748,000*l.* for the army, and 375,000*l.* for the ordnance, including sea service.

The number of all ranks in the army, including the

¹ Report of Finance Committee of 1786.

² Mr. Marsham's speech on the establishment question in 1790.

³ Par. Hist. xxviii. p. 370.

Irish establishment, and the distribution of the forces were, in 1792, the year before that of the outbreak of the Great War, as follows:—

	Officers and Men.
Great Britain	17,007
Ireland	11,901
East Indies	10,700
Canada, Nova Scotia and Bermuda	6,061
Gibraltar ¹	4,221
West India Islands	6,886
New South Wales	475
	<hr/> 57,251

In 1802, when the war recommenced after the 1802. brief interval of quiet that followed after the peace of Amiens, the force of the militia was raised to 39,964 men for England, and 3,004 for Wales, and the ballot was limited to men between the ages of 18 and 45. Scotland was to provide 8,000 men. The Irish militia, augmented in numbers, were now allowed to be employed in Great Britain.² And in 1814, the last com- 1814. plete year of war, we had 30,000 cavalry, 203,000 infantry, 30,000 foreign corps, and an embodied militia of 82,000; in all, 345,000 men.

After the Great War, 1816–53.

In 1817 the force, diminished by 221,000, consisted of 17,000 cavalry and 105,000 infantry. The *pay* of the rank and file of the army had been *exactly doubled since* 1792; and the votes for the army amounted to 7 millions.

In 1828, after 12 years of peace, the number of all

¹ The garrison at Gibraltar had been increased by the advice of the gallant veteran, lord Heathfield.

² 42 Geo. III. c. 90; 42 Geo. III. c. 91; 44 Geo. III. c. 33.

ranks was 116,738 and they were distributed as follows:—

Great Britain	29,616
Ireland	23,969
Colonies	37,037
East Indies	26,116

At this date the expenditure was about 8 millions, viz. 5 millions for the effective service, and 3 millions for non-effective service; and for the ordnance, the effective expenditure was 1,400,000*l.*, and the non-effective, 365,000*l.*

The increase in the establishment, which was *almost exactly double the establishment in 1792*, was accounted for principally by the number of troops necessary for our foreign possessions; in short, our colonies were the main source of the great expense incurred in the army.

The number of rank and file voted in 1830, viz. 95,000, reduced, under the Wellington administration, by 7,000 men, was augmented, by about the same number, under the Grey administration, in consequence of the revolutions that had occurred in France, Belgium and Poland, and the disturbed state of some of the counties in England.

1832-52.

For the next 20 years the expenditure on the army, militia, commissariat and ordnance services averaged from $8\frac{1}{2}$ to $8\frac{3}{4}$ millions. It reached the lowest point, of $7\frac{1}{2}$ millions, in 1834 and 1835, and was unusually high in the years 1846-8, inclusive, in consequence of the fear of French invasion and the existence of Chartism. In 1853 the number of men voted was 102,283.

After the War with Russia.

Our fiasco in the Crimea in consequence of inadequate preparations for so serious an undertaking as a contest with the vast military power of Russia at that distance from home—this total breakdown of our military arrangements, caused grave anxiety in the public mind. It was apparent that our state of preparation was not up to the requirement of the times.¹ The feeling of alarm that prevailed, intensified, in 1858, by the attitude of the French colonels, found expression in the creation of our Rifle Volunteer force; and while the French were renewing, at Magenta and Solferino, the traditions of Napoleonic victories, considerable additions were made to our army and navy estimates. In 1857–8 the strength of the army was 126,796.

At last, at Sadowa, in the victory of the Prussian needle gun over the less serviceable weapon of the Austrians, a lesson was taught which no nation in Europe could misunderstand or afford to neglect:—to adopt, as soon as it is discovered, every modern improvement in the art of war. The muzzle-loading rifle of the Crimea is as obsolete as the ‘Brown Bess’ of the Peninsular war, the musquet of the musqueteer of the Stuart militia, the matchlock of Armada times, or the hag-buts, the demi-hakes, and the ‘hand guns ready furnished with quarrels, gunpowder, fire and touch,’ of an earlier date.

July,
1866.

¹ A new secretary of state was appointed for the war department in June 1854; and in 1855 the ordnance was consolidated with the war department.

In these circumstances our military expenditure increased from a level of about $8\frac{1}{2}$ to $8\frac{3}{4}$ millions to a level of about 15 millions, and has now, 1884-5, reached 16 millions.¹

II. THE NAVY.

10 $\frac{3}{4}$ millions.

Our ascendancy at sea as a naval power commenced under the commonwealth. Upon the decadence of Spain, Holland had risen to the position of the first naval power in the world. She had also acquired its principal carrying trade, Amsterdam being at the time the chief entrepôt of commerce. This was sufficient to account for the feelings of mutual jealousy and hatred that prevailed between the two nations. A paper war had long been carried on upon the question of the close or open sea. The states general were inimical to the commonwealth. And the parliament played a card that was certain to prove popular with the nation, when, in 1651, by the famous Act of Navigation, which prohibited the importation of goods in any but English bottoms or those of the country of origin of the merchandise, they endeavoured to put an end to the ascendancy of the Dutch in the carrying trade.

War soon followed. In 1652 a refusal on the part of one of their captains to salute our flag formed the commencement of a period of naval contests, in which, though at one time Van Tromp swept the channel with a broom at his masthead, we, after much gallant fighting on both sides, proved victorious.

¹ In 1886 the land forces voted for the year ending March 31, 1887, were not to exceed 151,867 of all ranks.

Away from home quarters, Cromwell's admirals Penn and Venables, though unsuccessful against San Domingo, took for us in May, 1655, Jamaica from the Spaniards. In the Mediterranean, Blake¹ destroyed the Moorish pirates, those 'thieves, robbers, and pirates of the sea,' who in the time of Charles had captured our ships and men in the channel, molested our merchants, and 'grieved the kingdom' to such an extent as to constitute a peril to the kingdom sufficient to form the ground for the ship writs. And lastly, in 1656 we conquered and destroyed the Spanish fleet in the harbour of Santa Cruz.

Our successes against the Dutch, the Turkish pirates and the Spaniards fairly acquired for us the proud position which Waller notes in his Panegyric on the Protector :—

The sea's our own ; and now all nations greet,
With bending sails, each vessel of our fleet ;
Your power extends as far as winds can blow
Or swelling sails upon the globe may go.

A period of decline in naval power under Charles II. was due, in no small degree, to the liberal views of this king in personal expenditure, which rendered the nation unwilling to grant money that might be misapplied by the profligate advisers of the king. In consequence of the deficient state of our naval preparations, the victories against the Dutch celebrated in such glowing terms in the 'Annus Mirabilis,' were followed, in the next year, 1667, by a spectacle of a different kind—for Dryden

¹ Every admiral of note of this time seems to have been, like the Mordanto of Swift, lord Peterborough—'a land commander and a tar'—prince Rupert, colonels Robert Blake and Rainsborough, general Monk.

would not have made his 'Angels draw back the curtain of the skies' 'to see this fleet upon the water move,' when de Ruyter, having broken the chain at Chatham, was burning our ships in the Medway. 'The alarme was so greate,' writes Evelyn, 'that it put both country and citty into a panique, feare and consternation such as I hope I shall never see more.' Nor were we, subsequently, more fortunate against the French fleet, when, in June 1690, our fleet in combination with that of the Dutch was defeated under lord Torrington, off Beachy Head, and Teignmouth was burnt by the French in the galleys brought from the Mediterranean. But the sad remembrance to us of these disgraceful scenes was lightened and our supremacy at sea effectually re-established, in 1692, when Russell at the same time removed for us all fear of invasion, and darkened for Louis XIV. the prospect he cherished of French pre-eminence on the seas, by the victory over the gallant Tourville off La Hogue.

Before the end of the century the king was able to state in his speech to parliament that the navy was nearly double what he found it at his accession. And at the death of William it had increased from 173 ships, the number at his accession, with a tonnage of 101,892, to 272 ships with a tonnage of 159,020. Of these, 130 were reckoned as ships of the line, and that continued to be about the average number down to the middle of the century.

In the great storm, of November 27, 1703, the storm of Addison's famous simile in 'the Campaign'—

Such as of late o'er pale Britannia passed,

rear-admiral Beaumont, who was then engaged in observation of the Dunkirk squadron, went down in the flag ship, and thirteen ships of the line were lost. The loss was before long repaired; and in the next year we gained a footing on the coast of the Mediterranean in the taking of Gibraltar by admiral Rooke. Four years after this, general Stanhope took Minorca, from the port of which, port Mahon, he subsequently derived his title when as prime minister he left the Commons for the Lords; and these conquests were pre- 1713. served to us by the treaty of Utrecht.

In the war with Spain that began in 1739, we increased considerably the size of the ships ordered to be built; and at the outbreak of the war with France, in 1756, the number of English ships of the line was given as 142; but part of this was, in fact, what is termed a 'paper' fleet, consisting of hulks, prison ships, church ships, and others unfit for war; and of the 93 ships commissioned at the beginning of the war, 24 were 50-gun ships, which were no longer regarded as fit for a place in line of battle.

The war began with that unfortunate failure of Byng to relieve Minorca which cost him his life at the hands of his indignant and infuriated countrymen. But the sacrifice of this admiral by the ministry to the ungovernable fury of the people, had not that effect upon our other admirals which Voltaire suggests in his sneer: 'pour encourager les autres.'¹ In March 1758, admiral Osborne cruising off Cartagena was victorious

¹ 'Dans ce pays-ci il est bon de tuer de temps en temps un amiral pour encourager les autres.'—*Candide*, cap. xxiii.

1759.

over the French fleet under the marquis du Quesne. In April, sir E. Hawke drove a French fleet ashore in the Basque roads and destroyed such of their ships as were unable to escape up the Charente. In the next year, admiral Boscawen defeated admiral de la Clue off Lagos; and subsequently Hawke gained a signal victory over monsieur de Conflans in Quiberon bay. In short, in the war, we swept the French from off the seas. At the same time, by the conquest of Canada and our victories in India, we commenced the foundation of the far extending system which we now term 'Greater Britain.'

The number of vessels in the navy in 1762 is stated to have been 433, with a tonnage of 343,000; and for 1766-9, the average annual expenditure, including ordnance for sea service, was 1,660,218*l*.¹

1775-83.

The loss of our colonies in America in the war of American Independence, afforded, in the evidence it appeared to be of our decline in power, an opportunity for attack which was not neglected by France or Spain; and in 1779, when Spain declared war against us, the French and Spanish fleets under comte d'Orvilliers outnumbered our fleet. Gibraltar was now subjected to a long and harassing siege; and in the next year, when war was declared against Holland, we found ourselves in opposition to a combination of the existing navies of Europe. The Spaniards now retook Minorca. But Rodney's victories re-established our affairs. When, foiling the plan to take Jamaica, he had gained, by breaking the enemy's line—the well-

¹ Report of Finance Committee of 1786.

known *διέκπλους* of the Peloponnesian war—the victory in the hard-fought battle against comte de Grasse's fleet, April 12, 1782, and had taken the admiral's flag ship, the 'Ville de Paris,' he was able to write to his wife: 'It is odd, but, within two little years, I have taken two Spanish, one French and one Dutch admiral.'¹ This victory amply atoned for our ill success on many occasions in the war, and our supremacy at sea was now re-established.

The expenses of the later years of the war were beyond all precedent. In 1780 the expenditure for the navy alone, independent of the ordnance for sea service, was over 6,300,000*l*. In 1781, it was 6½ millions; in 1782, no less than 10,806,000*l*.; and in this year, the number of men voted, seamen and marines, was 100,000.²

The enormous increase in the expenditure for the services in the war led to the appointment, in 1782, of a Finance Committee of the house of commons to inquire into this expenditure during the six preceding years. In their report they took an estimate of what in their opinion should be regarded as the expense of the average peace establishment for the naval service, including ordnance for sea service, for the seven years 1775–1782. This they put at 1,660,000*l*. per annum.³ In 1786 the probable annual cost of the permanent

¹ Stanhope, *Hist. Eng.* viii. 260.

² In 1783 the number was:—

Seamen	84,709
Marines	25,291
Total	110,000

³ This estimate is substantially confirmed by the report of the Finance Committee of 1786.

peace establishment of the future was reckoned at an average of 1,800,000*l.*, but this proved below the mark ; for the actual expenditure on the navy alone, was on the average from 1786–1791, 2,254,000*l.*,¹ the cost of the ordnance for sea service being included under the general head of ordnance, which averaged 487,000*l.*²

In 1791 another careful estimate of the probable future expenditure placed it at a lower figure. But all calculations of the kind were upset by the outbreak of the Great War with Revolutionary France.

At this date the really effective force of the navies of Europe, in respect of line of battle ships is stated to have been approximately : England, 115 ; France, 76 ; Spain, 43 ; Holland, 20 ; Portugal and Naples, 10 ; Baltic Powers, 50.

In the war, which lasted, with a brief interval of peace, for 23 years, lord Howe's victory over the French on 'the glorious first of June,' 1794, was succeeded by that of Jervis and Nelson over the French and Spaniards off Cape St. Vincent, February, 1797 ; the practical destruction by Duncan of the Dutch fleet under de Winter off Camperdown, in October in the same year ; Nelson's victory of the Nile, August 1, 1798 ; his destruction of the Danish fleet at Copenhagen in 1801 ; and the crowning victory of the naval war, over the French and Spanish fleets, on October 21, 1805, off Cape Trafalgar.

¹ Details in 1790 :—

	£
20,000 seamen	1,040,000
Ordinary	703,276
Extraordinary	490,360
	<hr/> 2,233,636

² Report of Finance Committee of 1791.

In the result, when Napoleon, after Waterloo, unable, at Rochefort, to avoid our cruisers, surrendered himself to captain Maitland of the ‘*Bellerophon*,’ 2506 sail of vessels of war had been captured or destroyed by the British fleet in the war; of which 156 were sail of the line; 382, large frigates; and 662, corvettes.¹

Such was the state of the existing navies of other nations, and such was the exhaustion of the French finances, that our command of the seas was now secure. But the dangerous period of trial through which we had passed and the lesson of the ‘strip of silver sea’ formed, for the future, a warning, even to Finance Committees. Reporting upon the expenditure for the army and navy on a peace establishment, the Finance Committee of 1817, while, acting in the spirit that had prompted the House to reject Pitt’s fortification scheme in 1786 and had inspired Campbell’s—

After the
Great War,
1816-53.

*Britannia needs no bulwarks,
No towers along the steep,*

they recommended the suspension of the works of fortification along the coast, expressed a strong opinion in favour of the maintenance of a powerful fleet. ‘No ill-judged temporary economy,’ they added in their 8th Report, ‘should be allowed to interfere with the support of such a maritime force as might be deemed necessary in time of peace, or with the preparation of its adequate augmentation in the event of war.’

The number of men voted in the years 1810-12 had been: seamen, 113,600, and marines, 31,400; forming a total of 145,000. In 1818-19 inclusive, the numbers were reduced to: seamen, 14,000;

¹ Evidence of sir T. B. Martin before Committee of Finance.

marines, 6,000 ; forming a total of 20,000 men. We now broke up many of our old ships, but still maintained a powerful fleet ; and our peace establishment may be said to have settled at an average expenditure of little less than 6 millions.

In 1828 the number of ships was as follows :—

Building	41
In ordinary	151
In commission	182
	374

Of these 94 were ships of the line.

The expenditure was :—

	£
Effective expenditure	4,576,000
Non-effective	1,577,000
Total	6,153,000

In 1830, the number of seamen was 29,000. At this date lord Congleton,¹ considering the expenditure on the navy to be excessive for the nation, having regard to the existing state of its relations to other naval nations, was an advocate for considerable reductions ; but, before many years had passed, the whole aspect of the question had changed. Already invention had produced the first little steamer, of the ‘Comet’ year ; and the ‘Enterprise’ had made her
 1825 passage round the cape of Good Hope to India. In 1837, the Peninsular Company were to contract to carry the mails in steamers ; and about five years after this, when our ships of war had reached perfection as absolute as that of our royal ‘mails’ on land, both were to perish under the influence of the steam engine.

¹ Sir Henry Parnell, afterwards lord Congleton, was chairman of the Finance Committee appointed in 1828.

In the fifth decade of the century 'steam' began to supersede 'sail' for ships of war. We were soon to be no longer an 'anemocracy,' as Sydney Smith put it, 'a people who put their trust in hurricanes and are governed by the wind,' but were to pass from the government of Rex *Æolus* to that of King Coal.

The original paddle wheels were soon superseded by the 'screw,' which enabled the ship-builder to place the motive power of the ship in comparative security below the water line; and the conversion of ships of war into screw steamers was far advanced before the outbreak of the war with Russia in 1853.¹

In this war, our experience with the Baltic fleet proved the day of sailing vessels to be past, and those that accompanied the fleet were sent back as useless, if not impediments to evolutions. We learned also another lesson. The destruction of the Turkish fleet at Sinope, in 1853, and the failure of our fleet before Sebastopol in October, 1854, when those 'terrible shells' from the forts did such execution, brought to the fore the question of armour for the protection of ships. Our armaments were no longer able to 'thunderstrike the walls of rock-built cities' as of yore. Happily, modern improvements in machinery now had

The war
with
Russia.

¹ 'In the year 1848,' writes a friend of great experience in naval matters, 'I served in the "*Blenheim*," the first of the converted "*Line of Battle*" ships; I am not quite sure that "*La Hogue*" was not converted before her, but certainly the "*Blenheim*" was the first screw *Line of Battle* ship commissioned for sea service. We cruised for three months on the coast of Ireland during the Smith O'Brien riots. In 1856, at the end of the Russian War, all the *Line of Battle* ships reviewed at Spithead were screw ships except the "*Rodney*" and "*London*," which had only half their guns in, and would have been used as *Depôt* ships for the *Gun-boats* in the Baltic, if the war had continued.'

rendered practicable the manufacture of iron plates ; and in 1859 we commenced our first iron-plated vessel. The 'Warrior' was launched in December, 1860 ; and lord Congleton himself, had he been alive, would have whistled down the wind all hope of any future reduction in our naval expenditure when, bearing in mind the cost of an old first-rater to have been about 1,000*l*. a gun, he would have learned that the cost of this new monster of the deep was no less than 359,000*l*.

Cost of the
'Warrior.'

The new armoured leviathans were not to sport themselves for long on the waters with impunity. The art of destruction improved apace. Heavier guns, improved kinds of powder, and superior projectiles were invented to pierce the iron coating and back of teak. Then, the thickness of the iron was increased ; and, on the other hand, the size and penetration of the guns. The body of the ship was placed under water, leaving only the turret above with its guns. We reverted to the embolos of the Naumachia, and re-introduced the under-water beak of fighting ships, in the 'Ram,' which some authorities regard as the ship of the future. Then came the torpedo and torpedo-boats, and torpedo nets and torpedo gear, engines became more and more powerful, and steel superseded iron, every improvement in defence or offence entailing an enormous expenditure and practically superseding pre-existing armaments, the 'Inflexible' with her turrets having as effectually rendered obsolete the 'Minotaur' and ships of her class, as these ironclads superseded Napier's Baltic fleet or the fleet of lord Lyons before Sebastopol.

or as these in their time had superseded the old 'Victory' and Nelson's other ships of the line.¹

In these circumstances our expenditure on the navy has been, since the break up of the European peace, at the rate of about $10\frac{1}{2}$ millions a year, an amount which certainly does not, on paper, appear excessive, when we bear in mind the necessary expense of adopting every improvement in ships and armour that can be devised, and that the cost of ships has gone up, from the 359,000*l.* for the 'Warrior,' through that of ships of the broadside system of mounted guns, such as the 'Minotaur'; the 'belt and battery' system of 1863-7, of which the 'Bellerophon' and 'Hercules' are examples; those of the breast-work and monitor type, such as the 'Devastation' of 1869; the 'Inflexible' of 1874 and the other turret ships; and the Barbette ships—with guns high en barbette—of the 'Admiral' class, of 1880, to the million a-piece which we are told will be the price of our latest war monsters the 'Nile' and 'Trafalgar.'²

Cost of the
'Trafalgar.'

¹ Unfortunately, we do not arrive at a state of finality. Now (October, 1887), we have just succeeded in building first-class Armoured Cruisers with a speed of 19 knots, and, before they are commissioned, one of our Builders has, by improving on the length and lines of these vessels, built a craft of the same class for the Spanish Government, steaming 22 knots. And so it goes on; vessels are almost obsolete before they are commissioned, and more money must be spent, unless we would allow other nations to go ahead of us, and thus risk the loss of our position as Mistress of the Sea.

² In 1886, 61,000 men and boys were voted for the sea and coast-guard services of the year ending March 31, 1887, including 12,900 marines.

CHAPTER IV.

1. THE DIGNITY AND STATE OF THE CROWN, AND

2. THE CIVIL GOVERNMENT.

THE expenditure under these heads for 1884-5 was as follows:—

	£	£
Dignity and State of the Crown		409,000
Annuities to Royal Family		156,000
Civil Government:—		
1. Justice, Police, and Prisons	7,006,000	
2. Education, Science and Art	5,170,000	
3. Other Departments, salaries and expenses	2,500,000	
4. Diplomatic and Consular services	696,000	
5. Buildings, Parks, and Works	1,869,000	
6. Non-effective and Charitable	1,200,000	
		<hr/> 18,441,000

From this total of $18\frac{1}{2}$ millions there should be deducted, if we wish to ascertain *the charge on taxation* involved in the expenditure for the civil government, an amount, received for fees and other payments, which may be put at about 2 millions.¹ Deducting this amount, the total cost is about $16\frac{1}{2}$ millions.

I. THE DIGNITY AND STATE OF THE CROWN.

The expenditure under this head does not form the subject of an annual grant, but is the result of an arrangement made, according to precedent, at the commencement of a reign, when the sovereign sur-

¹ See post, p. 528.

renders certain hereditary revenues, and receives, in compensation, a grant of what we term a 'Civil List' charged upon the Consolidated Fund, in other words, the permanent revenue of the kingdom.

The civil list, when first granted to William III., comprised not only the personal expenses of the king and the expenses of the royal household, but also the 'Civil List' more properly so termed, which included the salaries of the judges, the ambassadors, and other members of the civil service, and annuitants and pensioners of the crown.

The amount, originally fixed at 600,000*l.*, was increased, in 1698, to 700,000*l.*; and in 1702 this amount was granted for the civil list of Queen Anne. A similar amount was granted for the civil list of George I.; but subsequent grants, made to discharge debts which had accrued, raised the average expenditure under this head, during the reign of twelve and a half years, to 805,000*l.*

The liberal proposals of Walpole regarding the civil list to be secured to George II. resulted in a grant of 800,000*l.* for this purpose; and the same amount was granted to George III. on his accession to the throne.

At this date the method of securing to the king a ^{1760.} revenue for the civil list was, with his consent, altered, and the king no longer received an income from particular sources, but, surrendering the hereditary revenues, which were carried to the Fund termed 'the Aggregate Fund,' received a grant of a sum of 800,000*l.* per annum secured on that Fund. This amount was

'found to be inadequate to, and insufficient for, the purposes for which it was granted,' and, in 1777, the commons, 'with hearts full of the warmest duty and gratitude for the inestimable blessings which the subjects enjoyed under his majesty's most auspicious government,'¹ increased the amount to 900,000/.

The administration of the expenditure under the civil list was notoriously careless; and in February, 1780, Burke, in his great speech on Economical Reform, proposed a plan to improve it, which was carried into execution, to a certain extent, subsequently, when the whig administration (Rockingham) came into power, in which he held the office of paymaster-general. A limit was now fixed for the amount of pensions to be granted,² and the expenditure was classified. This classification, and the estimate of the expenditure in 1786, were as follows³ :—

	£
1. Pensions and allowances to the royal family .	203,500
2. Salaries of lord chancellor, judges, and speaker	32,955
3. Salaries of foreign ministers resident at foreign courts	70,852 ⁴
4. Tradesmen's bills of his majesty's household .	147,200
5. Menial servants	90,966
6. Pensions	118,189
7. Other salaries payable out of the civil list .	81,440
8. Salaries and pensions of commissioners of treasury, &c.	13,822
Occasional payments	138,476
	897,400
Unappropriated	2,600
	<u>900,000</u>

¹ 17 Geo. III. c. 21.

² 22 Geo. III. c. 82.

³ Return presented to the house of commons, July 6.

⁴ Including 7,285/ for consuls.

In the next year, the grants for the civil list were charged on Pitt's Consolidated Fund,¹ to which were carried the receipts from the hereditary revenues as well as the produce of most of the existing taxes.

The 900,000*l.* thus secured for the civil list proved to be insufficient for the necessary expenditure under this head ; and, before the end of the reign, not only had the List been cleared² of charges amounting to over 250,000*l.*, but also grants in aid had been necessary, which raised the annual average from grants, in the reign, to 956,000*l.*

The civil list for Ireland formed a separate item, of 225,000*l.* Irish, or 207,692*l.* British, currency ; and in addition to the grants, the produce of certain casual revenues at the disposal of the crown—droits of the admiralty and droits of the crown, &c.—amounting on an average to 211,758*l.*, was applied to expenditure under this head. So that the total of the civil list funds was on an average, in the reign, 1,384,450*l.*

On the accession of George IV. to the throne, in 1820, the clear yearly sum of 1,057,000*l.*, formed by the addition of 850,000*l.* for England, to 207,000*l.* for Ireland, was granted for the civil list. No allowance was made, in the List, for any annuities to members of the royal family ; and the expenditure was classified as follows :—

¹ By 27 Geo. III. c. 13.

² 56 Geo. III. c. 46. The Act for the better regulation of the Civil List.

	£
1. His Majesty's privy purse	60,000
2. Salaries of lord chancellor, judges, and speaker	32,955
3. Salaries and pensions of ambassadors and ministers, and salaries of consuls	226,950
4. Expenses of the household, including department of surveyor-general of works	209,000
5. Salaries of the household	140,700
6. Pensions, limited by 22 Geo. II. c. 82	95,600
7. Salaries to certain officers of state and other allowances	41,300
8. Salaries of commissioners of treasury and chancellor of the exchequer	13,822
Occasional payments	26,000
	<u>845,727</u>
Unappropriated	4,273
	<u>850,000</u>

On the accession of William IV. to the throne, in 1830, the expenses hitherto included in the civil list which have no immediate connection with the dignity and state of the crown and the personal comfort of the sovereign, were, on the recommendation of a select committee of the house of commons, excluded from the List. The effect of this exclusion was to bring under the control of parliament the expenditure under classes 2, 3, 7 and 8 in the List for 1820, viz. salaries of lord chancellor, judges and speaker; salaries and pensions of ambassadors and ministers abroad and salaries of consuls; salaries to certain officers of state; salaries of commissioners of the treasury and chancellor of the exchequer, and certain other items of expenditure. The amount of 510,000*l.* was granted for the expenditure on the dignity and state of the crown and the personal comfort of the sovereign, classified as follows:—

	£
1. Their Majesties' privy purse	110,000
2. Salaries of the household	130,300
3. Expenses of the household	171,500
4. Special and secret service	23,200
5. Pensions	75,000
Total	<u>510,000</u>

The term civil list was retained as a convenient short term to designate this expenditure, though the civil list, properly so termed, no longer was included therein.

On the accession of her Majesty to the throne, in 1837, the item of 75,000*l.*, for pensions, was omitted, and the amount for the civil list was fixed at 385,000*l.*, under the following classification of the expenditure:—

	£
1. Her Majesty's privy purse	60,000
2. Salaries of the household and retired allowances	131,260
3. Expenses of the household	172,500
4. Royal bounty alms and special services	13,200
5. Pensions, to be granted to the extent of 1,200 <i>l.</i> a year	—
6. Unappropriated	8,040
	<u>385,000</u>

Pensions granted under the Civil List Act, 1 Vict. c. 2, limited to 1,200*l.* a year, increased the amount to 409,000*l.* in 1884–5.

ANNUITIES TO THE ROYAL FAMILY.

These annuities, for which no allowance is now made in the arrangement for the civil list, are granted, for life, by parliament, and are charged upon the consolidated fund, or national revenue. The amount of the annuities granted to members of the royal family was for 1880–1, 161,000*l.* ; and for 1884–5, 156,000*l.*

II. THE CIVIL GOVERNMENT.

18½ millions.

The following tabular statement shows the increase of expenditure for the various departments of civil government in the sixty years last past. *No deduction is made for any receipts.*

Departments	1825 ¹	1853 ¹	1868-9	1880-1	1884-5
1. Justice, Police, and Prisons . . .	£ ·217	£ 2.220	£ 4.650	£ 6.600	£ 7.006
2. Education . . .	·112	·560	1.380	4.300	5.170
3. Other departments. Salaries and expenses	·563	1.064	1.587	2.250	2.500
4. Diplomatic, Colonial, and Consular Services	·388 ²	·489	·703	·629	·696
5. Buildings, Parks and Works . . .	·390	·782	·953	1.470	1.869
6. Non-effective and Charitable . . .	·168	·208	·402	1.230	1.200
	1.838	5.323	9.675	16.479	18.441

1. Justice, Police, and Prisons.

7 millions.

The expenditure relating to justice, police, and prisons forms the most costly item of the civil government. Including the salaries and pensions of the judges, formerly in the civil list, and other items which, in the Finance Accounts, are to be found under the

¹ Ended January 5, 1826; 1854.² Diplomatic service included in the Civil List.

head of 'charges on the consolidated fund,' it amounts to more than 7 millions, as follows :—

	£
(a) Courts of justice	1,882,486
(b) Police	3,151,885
(c) Prisons	1,553,844
(d) Law charges and prosecutions	418,154
Total	7,006,369

Under 'Courts of Justice' are included the following :—(1) The Supreme Courts of Judicature, in England and Ireland, the expenditure, including salaries and pensions of judges, amounting to 622,059*l.*, for England, and 308,114*l.*,¹ for Ireland. (2) The County Courts in England and Ireland, for which, with salaries of judges and chairmen of quarter sessions, and pensions, the expenditure amounted to 651,016*l.* (3) The Courts of law and justice in Scotland, which cost, with salaries of judges, sheriffs, and sheriffs' substitute, and pensions, 164,218*l.* The addition, to the foregoing items, of a sum of 59,188*l.*, for compensations to officers of courts, brings the amount of expenditure to 1,804,595*l.*; and in order to complete the total there should be inserted 64,313*l.* for registries of deeds, &c., and 13,578*l.* for the expenses of the office of wreck commissioner, which raise the amount to the sum before stated, viz. 1,882,486*l.* This does not include a sum of about 67,000*l.* for pensions, mentioned subsequently under the head of Non-effective Services.

(a) Courts
of Justice.

Of this, by far the greater portion is a comparatively recent item in the public expenditure under the head of

¹ This includes the court of bankruptcy and the land commission.

Civil Services, to which the expenses of the superior courts of law in the kingdom, now included in the supreme court of judicature, were first transferred, from the consolidated fund or from fee funds, formed from the fees of the suitors, in or after 1854; while the expenses of the new county courts, established in 1846, with jurisdiction for the recovery of small debts, were first classed under this head of expenditure in 1858.

Against this expenditure, there should be placed, in calculating the charge on taxation under this head, receipts to the amount of about a million from fines and fees collected in the various courts and registries, by means of stamps or otherwise, of which the principal items are stated below.¹

Police. Under 'police' are included the expenditure relating to the Metropolitan Police, London and Dublin, the County and Borough police in Great Britain, and the Irish Constabulary.

The metropolitan police force, the institution of which, in 1828,² was mainly due to the exertions of the Home minister of the day whose name is still recalled to mind by those familiar terms 'Bobbie' and 'Peeler,' the 'new police' which, in Greville's memoirs, we find active, in February 1830, at the fire of the Opera House, first figures in this vote in 1854. The expenditure amounted, in 1869-70, to 211,000*l*. It is

¹ Court of Judicature (E. and I.)	£
Fee stamps and other fees	464,000
Courts of law and justice. S.	27,000
	<hr/>
	491,000
County Courts (E. and I.), fines and fee stamps .	429,000
Registries	54,122

² 10 Geo. IV. c. 44.

by way of subvention, and includes the salaries of the commissioners and receiver, and a contribution calculated by reference to the assessed rental. The rental was estimated at a mean sum of 32,432,400*l.*, for 1885, and the rate was 4*d.* in the *£*. If we include the cost of courts and salaries of magistrates, taken from the charges on the consolidated fund, and 12,000*l.* for special police, the total expenditure was, in 1884-5, 592,398*l.*

The expenditure for the county and borough police (Great Britain), a force which was first made compulsory in 1856, is also by way of subvention—to defray certain charges, principally pay and clothing of constables. First placed in the Civil Service vote in 1857, it amounted, in 1869-70, to 282,000*l.*, and is now, 1884-5, 973,298*l.*; an increase due, in the main, to the additional grant in aid first made in 1874.

In Ireland, the expenditure for the metropolitan police amounted, including the police courts, to 146,094*l.*; and that famous force, the Irish constabulary, which was first transferred to this head from the consolidated fund in 1854, cost, in 1869-70, 905,000*l.*, and now costs 1,440,095*l.* The total charge for police is, therefore, 3,151,885*l.*

Under this head also certain deductions should be made, in estimating the charge on taxation, for receipts and repayments, amounting in the whole to 188,000*l.*¹

¹ Constabulary (I.) repayments for extra force in	£
counties, &c.	117,000
Dublin police courts—fines, police tax, &c.	51,000
Police courts (London), fines and fees and fee	
stamps	20,000
	<hr/> 188,000

(c)Prisons.

The expenditure on prisons includes that for ordinary, as opposed to convict, Prisons ; Convict Prisons ; Criminal Lunatic Asylums ; Reformatory Schools ; and Industrial Schools.

The ordinary prisons include *the common gaol* of the county, so termed in contradistinction to the gaols of lords and others having gaols of franchise—‘seigneurs et autres q’ont gaols,’¹ which, belonging to the king, was under the control of the sheriff ; the old *borough, town and liberty gaols* ; and also the various *houses of correction*.

These houses of correction began to be established, in the eighth decade of the sixteenth century,² as work-houses for rogues, vagabonds and sturdy beggars, upon the plan of the Bridewell founded in London in the time of Edward VI. ; and many of them were of private foundation. Subsequently, in 1609, the establishment of one or more of such houses was rendered obligatory in every county,³ and women who had bastards chargeable on the parish were ordered to be committed to them for punishment, and there to be set to work ; but they were still distinct from the gaols, and were under the control of the justices of the peace. Subsequently, a gradual approximation of them in use to gaols, ended in the practical abolition of the distinction between the two classes by the Prisons Act, 1865.⁴

This Act placed gaols, houses of correction, bridewells, the London house of correction, and peniten-

¹ 4 Hen. IV. c. 10. A.D. 1403.

² 18 Eliz. c. 3.

³ 7 Jac. I. c. 4.

⁴ 28 & 29 Vict. c. 126, s. 4.

tiaries, a later development of the prison system, under a single head of 'prisons'; and in 1877, these prisons, in all 113 county, borough, and liberty prisons, were transferred to the control of the Home Office.¹ This was done both with a view to secure uniformity of administration and uniformity in punishment, which had varied to such an extent as to lead to nice calculations in the criminal mind as to the selection of a field for operations,² and also with a view to the alleviation of the pressure of local taxation, and economy, to be effected by the suppression of unnecessary prisons. The cost of these prisons, in England, Scotland, and Ireland, was, in 1884-5, 736,796*l*.

The convict prisons—that is to say, places for the confinement of male offenders under sentence 'to be kept in penal servitude,' a sentence which was substituted for that of 'transportation beyond the seas,' in 1857, by an act which finally abolished the sentence of transportation³—cost, in England and the colonies, 405,109*l*. The principal are Portland, where the magnificent breakwater and fortifications have been mainly executed by the labour of convicts; Portsmouth and Chatham, where they have been engaged in enlarging the docks; Dartmoor, Parkhurst, Woking invalid prison, Pentonville, and Millbank.

The cost of the criminal lunatic asylums at Broadmoor and Dunderburg was 35,338*l*.

Reformatory schools are the outcome of endeavours

¹ 40 & 41 Vict. c. 21, England.

² See Sir E. F. du Cane, *Punishment and Prevention of Crime*. English Citizen Series.

³ 13 & 14 Vict. c. 39; 20 & 21 Vict. c. 3.

to lessen the numbers of the criminal class by the reformation of young offenders. Of these, Parkhurst, in the Isle of Wight, was the first. Established, in 1838, by the Parkhurst Act, as a prison for young offenders sentenced to transportation or imprisonment, this institution was subsequently superseded by other institutions founded under the Reformatory and Industrial Schools Act, 1854, and was closed in 1864. The present reformatory schools are regulated by a consolidating act of 1866, which repealed the provisions of the act of 1854. They cost in England and Scotland, in 1884-5, 85,000*l*.

Industrial schools, though ranging under the head of prisons in the public accounts, being, as they are, not schools for the punishment of convicted offenders, but schools of instruction for juvenile vagrants and others ordered by the justices to be sent to the schools as preventive or training institutions, would seem to come more appropriately under the head of education. The cost of these schools in Great Britain was 180,000*l*.; and the expense of the whole department, reformatory schools and industrial schools, including inspection, was 279,657*l*.; forming, with 96,944*l*. for Ireland, a total of 376,601*l*.

The total expenditure under the head of prisons, if we include industrial schools, is, therefore, 1,553,844*l*.

This does not include a sum of about 43,000*l*. for pensions.

Under this head a deduction should be made, in calculating the charge on taxation, for receipts from productive labour in the prison department and in

convict prisons, the sale of discontinued prisons, &c., viz. 136,000*l.*; compulsory contributions of parents, &c., under orders of the justices, to expenses of reformatory schools and industrial schools, 25,000*l.*; and other items, which form a total of about 170,000*l.*

In explanation of the increase in the expenditure under this head:—the increase for 1853-4, as compared with 1825, was materially owing to the discontinuance of transportation beyond the seas. This ceased, as regards New South Wales, in 1840, and, as regards Van Diemen's Land, having been suspended during 1847-8, ceased altogether in 1852, by which time the 'Australian League,' of colonies pledged to oppose the importation of convicts into Australia, had been formed, and the discovery of gold had rendered the transportation no longer of any penal efficacy. The increase for 1880-1, as compared with 1868-9, is due to the additional charge for the prisons transferred to the state in 1877.

A charge of 418,154*l.* for Law Charges and Criminal Prosecutions¹ raises the total under the head of 'justice, police, and prisons,' to 7,006,369*l.*

(*d*) Law Charges and Prosecutions.
 $\frac{1}{2}$ million.

2. *Education, Science, and Art.*

5 millions.

Next in importance to the expenditure for justice, police, and prisons, ranks that for education, science, and art. Education.

The expenditure for elementary education, of late growth in our fiscal accounts, commenced with a small

¹ Subject to a deduction of 3,013*l.*

parliamentary grant in aid, first made in 1832, and subsequently continued annually. This was administered by the treasury until 1839, when it was increased in amount, and an education department was, in effect, created by an order in council, in the form of a committee of the privy council on education, with an official staff, termed the Committee of Council on Education. Henceforth, the grant rapidly increased in amount. In 1846 the department, by minute, introduced a more thorough system of inspection than hitherto had prevailed, and effected a most important improvement in the class of teachers, by the substitution, in lieu of the old monitorial system, of a plan, copied from the Dutch schools, of pupil teachers with stipends, regularly apprenticed to the teachers and eligible, subsequently, for scholarships at the training colleges. The creation of a parliamentary representative of the department in 1856, in the form of a vice-president of the committee, with a salary of 2,000*l.* a year,¹ to be responsible to the House for the application of the grant, marks the growing importance of the subject.

Duke of
New-
castle's
Commis-
sion.

The appointment, in 1858, of a commission of inquiry; the reduction of the minutes of the department into the form of a code, by lord Sherbrooke, the vice-president, in 1860; the report of the commission; and the revision of the code, July, 1861, with a view to render the distribution of the grant more simple, general and effective for its purpose; were followed by a more strict administration of the grant under the

¹ 19 & 20 Vict. c. 116.

provisions of this Revised Code. The main feature of the code consisted in payment by results, and the effect was to diminish, for several years, the amount of the grant, until, under the combined operation of a more liberal scale, under a minute of February 20, 1867, and increased energy, due to the daily growing importance of the question of national education, the process was reversed from diminution to increase, so that, in 1869-70, the amount for Great Britain and Ireland had risen to nearly a million and a quarter.¹

But, though 'the schoolmaster was abroad,' our shortcomings in the provision of the means of education for a population with whom, in a time of unrestricted competition and rapid intercommunication—of free trade and railways—intelligence and knowledge daily grew in importance in the struggle for life, were now generally acknowledged. Education in England, when compared with the standard of education in America, or that of many European countries whose workmen compete with ours, fell far below the mark; and, if a million and a half of children were on the books of inspected schools, at least as many, it was estimated, did not attend any efficient school. In these circumstances, in recognition of the importance of an increase in our means of national education, was passed Mr. Forster's Elementary Education Act of 1870.

To the expense involved in the application of this Act and the subsequent Acts of 1876 and 1880,²

¹ G. B. 840,711L; I. 374,680L; U. K. 1,215,391L.

² 33 & 34 Vict. c. 75; 39 & 40 Vict. c. 79; and 43 & 44 Vict. c. 23.

consisting principally of payments in respect of the average attendance of day and evening scholars in the public elementary schools required in the various school districts, and the results of inspection, is due the increase of expenditure under this head since 1870, which amounted, in 1884-5, to nearly 3,200,000*l.* for England. This comprises the expenses of the education department, including inspection, the grants to training colleges, and the grants to the elementary schools, for an average attendance of 3,273,124 scholars in day, and 24,434 in evening, schools actually inspected. In the same year, the expenditure for Scotland was 485,000*l.*; and that for Ireland, 756,000*l.*; the total for the United Kingdom being 4,444,000*l.*¹

science
and Art.

The expenditure relating to science and art has also increased of late years; the amount of the grant for the science and art department for the United Kingdom having advanced from 233,453*l.* in 1869-70, to 372,000*l.* for 1884-5. To this must be added the expenditure for the British Museum and the National Galleries, with some other small items of expense, forming, in 1884-5, a total for Education, Science, and Art of 5,170,000*l.*

This is exclusive of pensions, which amounted to 16,275*l.*

In calculating the charge on taxation under this head, a deduction should be made of 32,000*l.* for receipts for national school books, maps, and school

¹ To include 21,000*l.*, the grant to the Queen's Colleges (Ireland), under the head Salaries and Allowances, charged on the consolidated fund.

requisites, sold at cost price in Ireland, 4,500*l.* for fees and admissions to museums, and some receipts of minor importance, forming, in all, about 40,000*l.*

3. *Public Departments, salaries, and expenses.*

2½ millions.

The principal item in the expenditure under this head is the general one for the stationery office and government printing and stationery, which amounted, in 1884-5, to 556,000*l.*, though it was exceeded by the expenditure relating to the local government boards in the United Kingdom, added together, which, including subventions in aid, the principal being half the salaries of poor law medical officers, was, for England, 444,000*l.*; and Ireland, 139,000*l.*; forming, with 28,000*l.* for the board of supervision—for the relief of the poor and public health, in Scotland—a total of 611,000*l.* If to these two items we add the expenditure of the board of trade (committee of privy council for trade), which is the only other office that costs, with its subordinate offices, over 100,000*l.*, viz. 114,000*l.*, the three form a total amounting to half the expenditure of 2½ millions under this head.

Stationery
and
printing.

Local
govern-
ment
boards.

Board of
trade.

The remainder includes an item of 40,000*l.*, as a grant in aid of the mercantile marine fund; another, of 50,000*l.*, for secret service money, and a third of 25,000*l.* for valuation and boundary survey in Ireland. Lastly are included a great variety of public departments, viz. the household of the lord lieutenant in Ireland, 7,429*l.*, to which should be added the salary of

the lord lieutenant,¹ 20,000*l.* ; and the chief secretary's office, 42,154*l.* ; the officers of the house of lords and the house of commons, to which should be added 5,000*l.* for the salary of the speaker,¹ the treasury, the home office and subordinate offices, the foreign office, the colonial office, the privy council office and subordinate offices, the recently created bankruptcy department of the board of trade,² the exchequer and audit office, to which should be added 3,500*l.* for the salaries of the controller and assistant controller,¹ the mint, the national debt, patent, paymaster general's, record, and registrar general's, offices, the offices of woods and forests, and of works and public buildings. It does not, however, include the pensions of officials, which amount in the whole—to include the stationery office, the local government boards, and the board of trade—to about 130,000*l.*, or with 86,000*l.* for public offices in Ireland and Scotland, to 216,000*l.*

To account for an increase in the expenditure on establishments of this kind, it is only necessary to point to the increasing population and business of the kingdom ; but the principal cause of the increase that has occurred in the expenditure under this heading of late years has been the provision of new establishments, such as the charity, lunacy, land, and civil service commissions ; and the fishery board, Scotland ; and more especially the local government board, which includes the poor law department.

¹ From the charges on the consolidated fund.

² Under the Bankruptcy Act, 1883. The expenditure is to meet the deficiency of income from fees.

Considerable deductions have to be made in calculating the charge on taxation under this head : 72,000*l.*, under the head of stationery, for the sale of publications, waste paper, &c. ; 74,000*l.*, for fees in the houses of lords and commons ; 157,000*l.*, under the head of the mint, for seignorage for silver purchased for coinage, profit on bronze coinage, &c. ; and smaller amounts, for receipts under the heads of the board of trade, colonial office, home office, fishery board (Scotland), &c., which form a total of about 396,000*l.*

4. *Diplomatic, Consular, and Foreign Services.*

696,000*l.*

The expenses of these services are as follows :—

	£
Diplomatic service	262,725
Consular service	255,402
	<hr/>
	518,127
Diplomatic and consular buildings	96,416
Pensions	66,980 ¹
	<hr/>
	681,523

This is reduced, when calculating the charge on taxation, by about 57,000*l.* received for fees, &c., at the consulates.

To the expenditure under this head is added in the public accounts a sum of 178,695*l.* as for foreign service. It includes 28,670*l.* for the suppression of the slave trade, subsidies to telegraph companies and other items. Adding this sum to the expenditure for the diplomatic and consular services a total is formed

¹ Includes 6,980*l.* from annuities and pensions charged on the consolidated fund.

under the above heading of 860,218*l.* Deducting the items for buildings and pensions the total is 696,822*l.*

5. *Public Buildings, Parks, and Works.*

1,869,000*l.*

Revenue
buildings
and Post
offices.

To account for this large expenditure, it may be well at once to explain that a quarter of a million is necessary for the cost of the numerous buildings required for the purposes of the customs and inland revenue departments, and the post office, and that, under this head, are ranged the following items:—

	£
Surveys of the United Kingdom . . .	247,000
Rates on government property . . .	210,000
Grant for disturnpiked and main roads . . .	250,000

Palaces.

The remainder of the expenditure is due to the maintenance of the royal palaces—Windsor Castle, Buckingham, St. James, Kensington, Hampton Court, Kew, and Holyrood palaces—Marlborough House, the houses of parliament, the public buildings, including the furniture of public offices and the rent of houses hired and used for public purposes; the new courts of justice, the county-court buildings, and metropolitan police-courts; harbours, &c., under the board of trade, at Dover and Holyhead; and diplomatic and consular buildings and buildings abroad; and to the expense of keeping up the royal parks and pleasure grounds—Battersea, Bushey, Hampton Court, Kew, Richmond, Regent's, St. James', the Green, Hyde, Victoria, and other parks.

Public
parks.

In order to account for the increase in the expenditure under this head, from 953,000*l.* in 1868–9 to

1,800,000*l.* in 1884-5, it may be sufficient to note that the item for rates on government property was first allowed, in aid of local expenditure, in 1874, and that for disturnpiked and main roads, in 1882.

The proceeds of the sale of old materials, grazing rents, venison fees, &c., lessen the charge on taxation, under this head, by about 83,000*l.*

6. *Non-effective and Charitable Services.*

1,200,000*l.*

This heading obviously requires explanation. It comprises, first, the pensions, including superannuation and retired allowances, according to the provisions of various acts of parliament, for members of most of the departments of the civil service, no longer on the effective, in other words, on the retired, list. These amounted, in 1884-5, to 463,000*l.*, and may be divided as follows:—public departments, 130,000*l.*; public offices, Ireland and Scotland, 86,000*l.*; diplomatic and consular services, 60,000*l.*; education, science and art, 16,000*l.*; law courts, 67,000*l.*; convict establishments and prisons, 43,000*l.*; the remainder being, 15,000*l.* for grants in aid of expenditure in the colonies, and items of inconsiderable amount.

The pensions may be regarded as forming part of the expenses of the departments to which they relate. There is no substantial difference between these pensions and those of the war, admiralty, customs, inland revenue, post office, and telegraph departments, and those of the police and constabulary in Ireland, which are not included under this head of ‘non-effective

services,' but are provided for, in the estimates, as part of the expenditure on the several departments.

It comprises, secondly, a grant in aid of the local cost of the maintenance of pauper lunatics in county, borough, and licensed private asylums, and registered hospitals, at the maximum rate of 4s. per head, a week. This grant was, in 1884-5, for England, 461,000*l.*; Scotland, 84,000*l.*; and Ireland, 95,390*l.*; forming a total of 640,390*l.*

These two items amount to 1,103,390*l.* A sum of 22,000*l.* for pensions to masters and seamen of the merchant service, and widows and children; one of 48,115*l.*; paid to the trustees of saving banks and friendly societies, in aid of their funds; 16,747*l.* for hospitals and infirmaries in Ireland, and some smaller items, formed a total expenditure, under this head, of 1,198,411*l.*

TOTAL RECEIPTS FROM FINES, FEES, AND OTHER PAYMENTS. TO BE DEDUCTED FROM THE TOTAL EXPENDITURE FOR THE CIVIL GOVERNMENT, IN ORDER TO ASCERTAIN THE CHARGE ON TAXATION.

	£
Courts of Justice	979,122
Police	188,000
Prisons	170,000
Education	40,000
Public Departments	396,000
Diplomatic and Consular	57,000
Public buildings	83,000
	<u>£1,913,122</u>

APPENDIX No. III.

COST OF COLLECTION AND MANAGEMENT
OF REVENUE.

The cost of collection and management of the port duties and inland revenue, and the amount collected, was as follows, in thousands of pounds¹ :—

In 1823 . 3,942 . 54,814	||	In 1868-9 . 2,576 . 64,216
„ 1833 . 3,053 . 47,915		„ 1880-1 . 2,765 . 68,950
„ 1843 . 2,848 . 53,426		„ 1884-5 . 2,660 . 73,795

The reform of the tariff, diminished smuggling, and the consequent reduction in the customs establishment and abolition of the preventive coast guard; an equalised spirit duty throughout the kingdom and diminished illicit distillation; the consolidation of the numerous revenue boards and establishments; the abolition of the taxes on manufactures; increased facilities of communication by railroad, letter post, and telegraph; the abolition of the pernicious system of appointments to offices through parliamentary influence; and improved education, higher intelligence, more sustained assiduity in business, and the use of ready explanation and willing courtesy—arts, perhaps, unknown before in taxgathering²—by a permanent staff, growing in experience from precedent to precedent, and working under carefully framed instructions and, it may be added, eagle-eyed supervision, from head quarters, have reduced the percentage by half in the sixty years.

¹ Return, Public Income and Expenditure, Part II. Appendix No. I. Finance Accounts 1880-1 and 1884-5, Cost of Government defrayed out of Taxes. As to the cost of collection in former times, see Parnell, Financial Reform, cap. ix.

² These are, in fact, more effective than would be imagined. Experience proves that a clear and courteous explanation of liability eases off to the taxpayer the disagreeable duty of diving into his breeches pocket and, in our days, *'c'est ainsi qu'on travaille un royaume en finance.*

APPENDIX No. IV.

THE MODE IN WHICH TAXES ARE GRANTED.

At the present day taxes are granted as follows :
 On the opening of parliament, in the speech from the throne, her Majesty, addressing the commons, acquaints them that she has directed the estimates of public expenditure to be laid before them. After this, the house, having taken her Majesty's speech into consideration, form, for the purpose of considering the estimates, a committee grounded upon a resolution 'that a supply be granted to her Majesty,' and therefore termed, 'the committee of supply.' The next step is to pass, in this committee, an estimate, followed by a resolution for a vote of a certain sum to meet the estimate; and then to ground upon a resolution 'to consider of ways and means for raising the supply granted to her Majesty,' another committee termed 'the committee of ways and means.'¹ The mode of procedure in this committee is by resolution on motion made and question proposed 'that towards raising the supply granted to her Majesty' such a tax be levied or continued, as the case may be ;

Committee
of Supply.

Committee
of Ways
and Means.

Resolu-
tion.

¹ Both committees are committees of the whole house, and a standing order of the house requires that all bills that impose directly an imperial charge on the people, shall originate in a committee of the whole house. Questions of local rates and questions of the diminution or abolition of an existing tax, with the incidental questions involving a negative to the question, or the extent to which diminution shall be carried, may be raised without the formality of a committee.

and the terms of the resolution, if agreed to, are entered on the printed 'Votes and Proceedings of the House of Commons' with a memorandum that the resolution is to be reported on a certain day to the committee, who are to sit again on that day. On the consequent report of the resolution it is twice read and may be amended, refused, postponed, or recommitted. If agreed to, an order is frequently added that a Bill be brought in upon the said resolution, and that the chancellor of the exchequer or the secretary to the treasury, &c., do prepare and bring it in.

Report.

Bill
ordered.

The preamble to a bill of supply differs from the preamble to an ordinary bill; it runs as follows:—

Form of a
bill of
supply.

'MOST GRACIOUS SOVEREIGN,—

'We, your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom of Great Britain and Ireland, in Parliament assembled, towards raising the necessary supplies to defray your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and grant unto your Majesty the several duties hereinafter mentioned, and do therefore most humbly beseech your Majesty that it may be enacted; and be it enacted, &c.,' following, in terms, the usual form.

The bill follows the usual course of proposals for legislation in the various stages of first and second readings, whereby its principle is affirmed; the examination of its provisions clause by clause in committee of the whole house; the report of the bill to the house; its consideration by the house; and the third reading;

1st & 2nd
readings.Com-
mittee.3rd read-
ing.

after which the question 'that this bill do now pass,' is put and usually agreed to.

Bill sent to
the lords.

The bill is then sent by the hands of the chairman of the committee of ways and means to the house of lords for their assent to its provisions, which are not effectual in law until embodied in an act of parliament. The lords may refuse to adopt this offspring of the commons, but though they may reject, they are precluded, in consequence of resolutions passed in the commons,¹ in the principle of which the lords have acquiesced, from amending or altering a bill of supply in any substantial particular.

Returned
to the
commons.

When the bill has passed in the lords it does not, as other bills do, remain in the custody of the clerk of the enrolments in that house, but is returned to the house of commons. Carried up to the throne and presented by the Speaker, the bill receives the royal assent before all other bills, in terms which, whatever may be their historical interest, might with advantage be altered to royal thanks, acceptance, and approval in good plain English words: 'La reyne remercie ses bon sujets, accepte leur benevolence, et ainsi le veult.' The contribution granted by the subjects of their own free will to the sovereign, to defray the expenses of the state, now becomes the law of the land, and is legalised as from the date of the resolution agreed to by the house of commons.

Form of
royal
assent.

The resolution legalised from its date.

It frequently happens that, when a resolution of the house to grant a tax has been passed, the bill to legalise the grant hangs fire and does not pass into law until

¹ July 1671 and July 3, 1678.

some considerable time has elapsed. In such cases it has been the practice of late years as regards the income tax, by means of a circular to direct the attention of bankers and others interested in the payment of dividends, &c., from which the tax is deducted, to the resolution passed by the house, and invite them to take action upon such resolution. The bankers wisely follow this suggestion; and a short indemnity clause inserted in the Act sanctions an arrangement which has the effect of saving a considerable amount of difficulty and annoyance to all concerned.¹ This practice of taking action upon a resolution of the house is in consonance with that which has long prevailed as regards indirect taxes on articles of consumption; of which it would be easy to multiply instances. It may be sufficient to give, as a notable instance recently quoted in the house, that of the increase of the spirit duty in 1860, when resolutions, passed on February 29 and July 17, were not legally sanctioned by the royal assent to the Act until August 28.

¹ See 43 & 44 Vict. c. 20, s. 51 (3); 48 & 49 Vict. c. 51, s. 24 (3).

APPENDIX No. V.

COST OF EACH WAR FROM 1688 TO 1869.

Computed by deducting the total amount of average annual Peace Establishment for Navy, Army, and Ordnance Services from the total expenditure for those services during the entire period of the war.

DATE	WAR	£
1688-97	War in Ireland and against France, &c.	32,643,764
1702-13	War of Spanish Succession	50,684,956
1718-21	War with Spain	4,547,324
1739-48	War with Spain (Right of Search) and of Austrian Succession	43,655,192
1756-63	Seven Years' War. War expenditure continued to 1766	82,623,738
1776-85	War of American Independence. War expenditure continued to 1786	97,599,496
1793-1815	The Great War with Revolutionary France and Napoleon. War expenditure continued to 1817	831,446,449
1838-43	Insurrection in Canada. Votes of Credit	2,096,046
1840-43	First China War	2,201,028
1848-53	Kaffir War. Total Votes of Credit	2,060,000
1854-56	Russian War. Expenditure continued till 1856	69,277,694
1856-7 } 1860-1 }	Second China War. Total Votes of Credit	6,640,693
1856-7	Persian Expedition. Total Votes of Credit	900,000
1864-5	New Zealand War. Total Votes of Credit	764,829
1866-8	Abyssinian Expedition	8,600,000

APPENDIX No. VI.

AMOUNT OF NATIONAL DEBT ACCRUED FROM THE SEVERAL WARS.

DATE	WAR	£
	GREAT BRITAIN.	
1698. Treaty of Ryswick . . .	War with France . . .	14,522,925
1714. " Utrecht . . .	War of Spanish Succession . . .	21,483,098
1749. " Aix-la-Chapelle . . .	War with Spain and of Austrian Succession . . .	29,173,771
1764. " Paris . . .	Seven Years' War . . .	59,633,000
1786. " Paris . . .	War of American Independence, and with France and Spain . . .	117,285,006
1816. At close of war . . .	Great War with France . . .	504,889,452
	IRELAND.	
1816. At close of war . . .	Great War with France . . .	117,273,575

APPENDIX No. VII.

ADMINISTRATIONS, 1702-1885.

Date	Administration	Chancellor of Exchequer	Important Events
1702. May 8	Godolphin (Lord Treasurer)	Hon. H. Boyle	War of Spanish Succession, 1702-1713
1711. May 29	Oxford (Harley)	R. Benson	Leather, candles, soap, and paper taxes imposed
1714. July 30	Shrewsbury	Sir R. Onslow	Jacobite Revolt, 1715
" Oct. 14	Halifax (died 1715, May)		
1715. Oct. 11	Townshend	Sir R. Walpole	South Sea Company, 1720
1717. Apr. 5	Stanhope	J. Stanhope	Malt tax riots, Scotland, 1725.
1718. Mar. 18	Sunderland	J. Aislabie	Excise Bill, 1733. War of Right of Search, 1739-48
1721. . .	Walpole	Sir R. Walpole	
1742. Feb. 11	Wilmington (with Carteret), died July 1743	S. Sandys	
1743. July 26	Pelham	Hon. H. Pelham	Jacobite Revolt, 1745
	Broad Bottom Ministry	. . .	Carriage tax imposed, 1747
1754. Apr. 21	Pelham died 1754, March		
	Newcastle (resigned 1756, Nov. 11)	Hon. H. Legge	Plate tax imposed, 1756
		Lyttelton, 1755	

1756.	Nov.	Devonshire and Pitt . . .	Hon. H. Legge .	Seven Years' War, 1756-63
1756.	.	Newcastle and Pitt . . .	Hon. H. Legge .	
1762.	May	Bute . . .	Sir F. Dashwood .	Cider tax imposed, 1763
1763.	Apr. 8.	Grenville . . .	G. Grenville .	Stamp Act for America, 1765
1765.	July 10	Rockingham . . .	W. Dowdeswell .	Stamp Act and Cider tax rep. 1766
1766.	July 30	Grafton and Chatham . . .	Hon. C. Townshend (died 1767, Sept. 4)	Land tax, 3s., 1767
		Chatham resigned Oct. 1768	Lord North .	
1770.	Jan. 8	North . . .	Lord North .	Land tax, 3s. (last time), 1772. Boston tea, 1773. 'Wealth of Nations' pub. 1775. War of American Independence, 1776- 85. Servants' tax and House tax imposed, 1777
1782.	Mar. 20	Rockingham, Shelburne, and Fox	Lord J. Cavendish	
"	July 1	Shelburne . . .	W. Pitt	
1783.	Apr. 2	Portland, North, and Fox (Coalition Ministry)	Lord J. Cavendish	
"	Dec. 18	Pitt . . .	W. Pitt .	Commutation tax, 1784. Sinking Fund, 1786. Treaty Com. France, 1787. French Rev. 1789. War with France, 1793- 1815. Triple Assessment, 1798. Income tax, 1799. Marengo, 1800

APPENDIX No. VII.—*continued.*

ADMINISTRATIONS.

Date	Administration	Chancellor of Exchequer	Important Events
1801. Mar. 21	Addington	H. Addington	Peace of Amiens, 1802
1804. May 16	Pitt	W. Pitt	Austerlitz, 1805
1806. Feb. 10	Grenville and Fox 'All the Talents'	Lord H. Petty	Jena, 1806, Oct. 14
1807. Mar. 31	Portland	Hon. S. Perceval	
	Canning For. Sec.		
1809. Dec. 2	Perceval (May 11, 1812)	Hon. S. Perceval	Luddites, 1811
1812. June 9	Liverpool	N. Vansittart	War with America, 1812
" "	Canning For. Sec. 1822		Peace of Paris, 1815
	Huskisson Bd. of Trade 1823	Hon. F. J. Robinson, 1823, Jan. 31	Income tax rep. 1816. Salt duty rep. 1822, 1825. Assessed taxes reduced 1823. New tariff, 1825
1827. Apr. 11	Canning	G. Canning	
" Aug. 12	Goderich	J. C. Herries	
1828. Jan. 26	Wellington	H. Goulburn	Beer and leather duties rep. 1830
1830. Nov. 20	Grey	Lord Althorp	Reformed Parliament, 1833
1834. July 14	Melbourne	Lord Althorp	House tax rep. 1834
" Dec. 10	Peel (1)	Sir R. Peel	

1835. Apr. 10	Melbourne	.	.	T. S. Rice	
1841. Sept. 3	Peel (2)	.	.	F. T. Baring, 1839 H. Goulburn.	Reform of tariff. Income tax imposed, 1842. Second reform of tariff, 1845. Irish Famine. Corn Laws rep. 1846
1846. July 1	Russell (1)	.	.	Sir C. Wood	House, in lieu of window, tax, 1851
1852. Feb. 27	Derby (1)	.	.	B. Disraeli	
" Dec. 28	Aberdeen (Coalition)	.	.	W. E. Gladstone	Soap duty rep. Succession tax. Third reform of tariff, 1853. Crimean War, 1854-6 Newspaper tax rep. 1855
1855. Feb. 8	Palmerston (1)	.	.	Sir G. C. Lewis	
1858. Feb. 26	Derby (2)	.	.	B. Disraeli	
1859. June 18	Palmerston (2)	.	.	W. E. Gladstone	Fourth reform of tariff, 1860
1865. Nov. 3	Russell (2)	.	.	"	Tea duty red. to 6 <i>d.</i> 1865
1866. July 6	Derby (3)	.	.	B. Disraeli	
1868. Mar. 3	Disraeli (1)	.	.	G. W. Hunt	
" Dec. 9	Gladstone (1)	.	.	R. Lowe	Fire Insurance duty rep. 1869
1874. Feb. 18	Disraeli (2)	.	.	W. E. Gladstone, 1873	E. Education Act, 1870
1880. Apr. 27	Gladstone (2)	.	.	Sir S. H. Northcote W. E. Gladstone	Sugar duty rep. 1874 Malt duty rep. Beer duty imposed [1880
1885. June 24	Salisbury	.	.	H. C. E. Childers, Dec. 16, 1882 Sir M. Hicks-Beach	

APPENDIX No. VIII.

LIST OF THE COMMONWEALTH EXCISE.

FOREIGN AND IMPORTED GOODS.

	£	s.	d.
Tobacco not of the English plantations, per lb. .	0	1	0
„ of the English plantations, per lb. .	0	0	1
To be paid by the first buyer from the merchant or importer.			
Wine, not Spanish, per tun	6	0	0
„ Spanish, per tun	9	0	0
Vinegar, per tun	2	0	0
Spirits made of any wine or cider, per gallon .	0	0	4
Strong waters, perfectly made, per gallon .	0	1	0
Beer and Ale imported into England and Wales, per barrel	0	5	0
Soap, soft or hard, per cwt.	0	6	0
Hops, per cwt.	0	10	0
Woollen cloth, per yard measure	0	5	0
Stuffs or other woollen manufacture, per yard measure	0	1	0
Dyed silk, per 20s. value	0	5	0
Silk lace and ribbands and gold and silver lace and ribbands, per 20s. value	0	3	0
Drugs, glass or glasses, earthen and stone wares, per 20s. value	0	2	0
Raw silk, rough hemp, undressed flax and tow, tar, rosin, pitch, wax, tallow, cable, cable yarn, and all manner of cordage, per 20s. value	0	0	6
Foreign salt, per gallon	0	0	1½
All other goods and merchandises (except bullion, corn, victuals, arms, ammunition, and ordnance of brass or iron) according to the value in the Book of Rates for Excise, per 20s. .	0	1	0

NATIVE OR INLAND GOODS.

	£	s.	d.
Beer or ale, above 6s. the barrel, brewed by the common brewer, or by any other person who sells or taps out beer or ale publicly or privately, to be paid by the brewer or such other person, per barrel	0	2	6
Beer or ale of 6s. the barrel or under	0	0	6
Hops, English, the cwt., to be paid by the planter	0	2	0
Saffron, English, for every 20s. value, to be paid by the planter	0	1	0
Tin, for every 20s. value, to be paid by the first buyer or exporter	0	1	0
Iron, English, which is past the forge and is wrought into bars, for every cwt., to be paid by the maker	0	0	6
All pots, backs for chimneys, plates, weights, anvils, and all other commodities of cast-iron (except ordnance and shot), for every cwt., to be paid by the maker or caster	0	0	3
Ordnance and shot of cast-iron, per cwt., to be paid by the maker	0	0	3
Aqua vitæ, or strong waters, made or distilled within the commonwealth, whether of foreign or domestic spirits or materials, per gallon, to be paid by the first maker or seller thereof respectively	0	0	2
Soap, per barrel, made within the commonwealth, of what sort soever, to be paid by the maker, and so proportionately for hard soap or soft soap	0	4	0
Silver and gold wire, for every ounce troy of silver, or gold prepared, melted down or disgrossed for wire, to be paid at the bar where the same is disgrossed	0	0	1

	£	s.	d.
Copper, for every pound avoirdupois of any copper or any other metal, prepared, made fit, or disgrossed, to be paid at the bar where the same is disgrossed	0	0	2
Oil, for all linseed, whale, blubber, rape, and pilchard oil, and all other oils made within the commonwealth, per tun, to be paid by the maker	0	6	0
Lead, for every fother containing 20 cwt., to be paid by the maker or smelter	0	6	8
Cider and perry, made and sold by retail, whether it be by the first maker or any buyer or receiver thereof from the first maker, per hogshhead	0	2	6
Metheglin or mead, and such like drinks, sold out by retail, to be paid by the maker, per gallon	0	0	1
Starch, per cwt., to be paid by the first buyer	0	1	0
Glass, all sorts of glass or glasses, upon every 20s. value thereof, to be paid by the maker	0	1	0
Salt, made within the commonwealth, and shipped or conveyed by water, to be paid by the first buyer, at the place of landing or unloading thereof, per gallon	0	0	0 $\frac{1}{2}$
All other salt, not shipped or conveyed by water, to be paid by the first buyer, upon the first delivery, per gallon	0	0	0 $\frac{1}{2}$
Upon all salt-upon-salt that is made of salt, within the commonwealth, to be paid by the maker thereof, per gallon	0	0	0 $\frac{1}{4}$ ¹

¹ Scobell, Acts and Ordinances, ii. 452-477.

APPENDIX No. IX.

SCHEME OF THE TAX ON BURIALS, BIRTHS AND MARRIAGES, AND THE TAX ON BACHELORS, IN FORCE
FROM MAY 1, 1695, TO AUGUST 1, 1706.

1. *Burial, Birth and Marriage Rates.*

Degrees, Titles, &c.	Burials				Births		Marriages		
	The party's wife or widow	Eldest son		Younger children	Eldest son	Youngerson	The party	Elder son	Youngerson
	£	s.	d.	£	s.	d.	£	s.	d.
A Duke or Archbishop	50	4	0	30	4	0	50	2	6
A Marquis	40	4	0	25	4	0	40	2	6
An Earl	30	4	0	20	4	0	30	2	6
A Viscount	25	4	0	17	14	0	25	2	6
A Baron and Bishop	20	4	0	15	4	0	20	2	6
A Baronet or Knight of the Bath	15	4	0	5	4	0	15	2	6
A Knight, Bachelor, or Dean	10	4	0	5	4	0	10	2	6
The King's Serjeant at Law	20	4	0	1	4	0	20	2	0
Other Serjeants at Law	15	4	0	1	4	0	5	2	6
An Esquire	5	4	0	1	4	0	1	2	6
A Gentleman	1	4	0	1	4	0	1	2	6
Doctors of Divinity, Law, or Physic	5	4	0	1	4	0	5	2	6
Persons of 50 <i>l.</i> per annum or 600 <i>l.</i> personal estate	1	4	0	0	14	0	0	12	0
Persons not otherwise charged	0	4	0	0	4	0	0	2	6

2. *The Tax on Bachelors.*

Degrees, Titles, &c.	The party himself	The eldest son	The younger son
	£ s. d.	£ s. d.	£ s. d.
A Duke, &c.	12 11 0	7 11 0	6 5 0
A Marquis	10 1 0	6 6 0	5 1 0
An Earl	7 11 0	5 1 0	3 16 0
A Viscount	6 6 0	4 8 6	3 7 8
A Baron	5 1 0	3 16 0	3 1 0
A Baronet and Knight of the Bath .	3 16 0	1 6 0	1 6 0
A Knight Bachelor	2 11 0	1 6 0	0 6 0
The King's Serjeant at Law	5 1 0	0 6 0	0 6 0
Other Serjeants at Law	3 16 0	0 6 0	0 6 0
Esquires	1 6 0	0 6 0	0 6 0
Gentlemen	0 6 0	0 6 0	0 6 0
Doctors of Divinity, Law, or Physic .	1 6 0	0 6 0	0 6 0
Persons of 50 <i>l.</i> per annum or 600 <i>l.</i> personal estate	0 6 0	0 3 6	0 3 6
Persons not otherwise charged . . .	0 1 0	0 1 0	0 1 0

APPENDIX No. X.

CHARACTER OF SIR ROBERT WALPOLE, BY LORD
CHESTERFIELD.

I MUCH question whether an impartial character of sir Robert Walpole will or can be transmitted to posterity; for he governed this kingdom so long that the various passions of mankind mingled, and in a manner incorporated themselves, with everything that was said or written concerning him. Never was man more flattered, nor more abused; and his long power was probably the chief cause of both. I was much acquainted with him, both in his public and his private life. I mean to do impartial justice to his character; and therefore my picture of him will, perhaps, be more like him than it will be like any of the other pictures drawn of him.

In private life he was good-natured, cheerful, social; inelegant in his manners, loose in his morals. He had a coarse, strong wit, which he was too free of for a man in his station, as it is always inconsistent with dignity. He was very able as a minister, but without a certain elevation of mind necessary for great good or great mischief. Profuse and appetent, his ambition was subservient to his desire of making a great fortune. He had more of the Mazarin than of the Richelieu. He would do mean things for profit, and never thought of doing great ones for glory.

He was both the best parliament-man, and the ablest manager of parliament, that I believe ever lived. An artful rather than an eloquent speaker ; he saw, as by intuition, the disposition of the House, and pressed or receded accordingly. So clear in stating the most intricate matters, especially in the finances, that, whilst he was speaking, the most ignorant thought that they understood what they really did not. Money, not prerogative, was the chief engine of his administration ; and he employed it with a success which in a manner disgraced humanity. He was not, it is true, the inventor of that shameful method of governing which had been gaining ground insensibly ever since Charles II., but with uncommon skill and unbounded profusion he brought it to that perfection which at this time dishonours and distresses this country, and which (if not checked, and God knows how it can be now checked) must ruin it.

Besides this powerful engine of government, he had a most extraordinary talent of persuading and working men up to his purpose. A hearty kind of frankness, which sometimes seemed impudence, made people think that he let them into his secrets, whilst the impoliteness of his manners seemed to attest his sincerity. When he found anybody proof against pecuniary temptations, which, alas ! was but seldom, he had recourse to a still worse art ; for he laughed at and ridiculed all notions of public virtue, and the love of one's country, calling them ' the chimerical school-boy flights of classical learning ; ' declaring himself at the same time, ' No saint, no Spartan, no

reformer.' He would frequently ask young fellows, at their first appearance in the world, while their honest hearts were yet untainted, 'Well, are you to be an old Roman? a patriot? You will soon come off of that, and grow wiser.' And thus he was more dangerous to the morals than to the liberties of his country, to which I am persuaded he meant no ill in his heart.

He was the easy and profuse dupe of women, and in some instances indecently so. He was excessively open to flattery, even of the grossest kind, and from the coarsest bunglers of that vile profession; which engaged him to pass most of his leisure and jovial hours with people whose blasted characters reflected upon his own. He was loved by many, but respected by none; his familiar and illiberal mirth and raillery leaving him no dignity. He was not vindictive, but on the contrary very placable to those who had injured him the most. His good-humour, good-nature, and beneficence, in the several relations of father, husband, master, and friend, gained him the warmest affections of all within that circle.

His name will not be recorded in history among the 'best men' or the 'best ministers;' but much less ought it to be ranked among the worst.

APPENDIX No. XI.

STATE OF THE CUSTOMS LAWS IN 1784.

THE following is an extract from the first Report of the commissioners of customs. After a brief history of the customs laws, and a statement that the whole number of Acts relating to the customs passed previous to the accession of George III. was 800, to which were added in the first fifty-three years of his reign 1,300 more—some of which were obsolete, but which formed a difficult question for merchants and officers of customs, the commissioners add, with regard to the state of things to remedy which Pitt introduced, in 1787, his customs consolidation Act, based upon 3,000 resolutions of the house of commons:—

‘The first important attempt to consolidate the customs laws was made in the 12th year of Charles II., when the Act called the “Book of Rates” was passed. An additional “Book” was issued in the second year of George I.; but as new duties came to be added and old ones to be modified, fresh complications were introduced into the statutes, till the whole system grew into a bewildering and appalling chaos, of which the following specimen may give us some adequate idea:—

EXAMPLE OF AN INWARD DUTY PAID ENTRY IN 1784.

20 Reams French Royal Paper for the new Duties.

10 Ream Atlas Fine.

10 Ream Super Royal Fine.

	Gross Money as computed on the Bills ¹			Nett Money as entered in Cash Book		
	£	s.	d.	£	s.	d.
Old Subsidy	20	0	0	1	0	0
New Subsidy	20	0	0	1	0	0
¹ / ₃ Subsidy	6	13	4	0	6	8
Subsidy, 1747	13	6	8	0	13	4
Subsidy, 1759	20	0	0	1	0	0
Impost, 1692	100	0	0	5	0	0
French Duty	100	0	0	5	0	0
Duty on Soap, Paper, &c.	280	0	0	14	0	0
Additional Duty, do.	140	0	0	7	0	0
Duty on Paper, 1784	140	0	0	7	0	0
	860	0	0	2	3	0
Impost, 1779	43	0	0	2	3	0
Impost, 1782	43	0	0			
	946	0	0	47	6	0

EXPLANATION OF THE PROCESS OF COMPUTATION.

This article is rated at £1 the Ream; the amount, 20 Ream, is £20.

By what Act granted	The Branches to which it is liable are	£	s.	d.
12 Chas. II. cap. 4 .	The old Subsidy, which is 5 per cent. on the rate .	1	0	0
9 & 10 W. III. cap. 23	New Subsidy, which is 5 per cent. on the rate .	1	0	0
2 & 3 Ann. cap. 9 .	$\frac{1}{3}$ Subsidy, „ $\frac{1}{3}$ part of New Subsidy .	0	6	8
3 & 4 Ann. cap. 5 .	$\frac{2}{3}$ Subsidy, „ $\frac{2}{3}$ parts of do.	0	13	4
21 Geo. II. cap. 2 .	Subsidy, 1747 „ 5 per cent. on the rate	1	0	0
32 Geo. II. cap. 10 .	Subsidy, 1759 „ do.	1	0	0
4 Wm. & Mary, cap. 5	Impost, 1692 „ 25 per cent. as French goods, do.	5	0	0
7 & 8 Wm. III. cap. 20	French duty „ do.	5	0	0

¹ It was the practice at this time to compute the duties at twenty times their amount in the first instance.

EXPLANATION OF THE PROCESS OF COMPUTATION—*continued.*

By what Act granted	The Branches to which it is liable are			
		£	s.	d.
10 Ann. cap. 19 .	Duty on soap, paper, &c. This duty is a specific sum per ream, according to the particular sort or quality of the Royal paper, independent of the former duties, which were relative to the general term of Royal only, viz. : 10 Ream At- las Fine at £16 per Ream . £8 0 0 10 Ream Su- per Royal Fine at £12 6 0 0			
		14	0	0
12 Ann. st. 2, cap. 9	Additional duty on soap, paper, &c. is $\frac{1}{2}$ the preceding one .	7	0	0
24 Geo. III. cap. 18 .	Duty on paper, 1784, is constructed on similar principles with the two former duties, viz. : 10 Ream At- las at £10 per Ream £5 0 0 10 Ream Royal at £4 do . . 2 0 0			
		7	0	0
19 Geo. III. cap. 25 .	Impost, 1779, being 5 per cent. on the total amount of all the before-men- tioned duties . .	2	3	0
22 Geo. III. cap. 66 .	Impost, 1782, being 5 per cent. on the total amount of all other duties ex- cept the impost, 1779 .	2	3	0
	Total nett Duty .	47	6	0

APPENDIX No. XII.

STATEMENT SHOWING THE ESTIMATED AGGREGATE REDUCTION OF
CUSTOMS DUTIES BETWEEN 1835 AND 1853.¹

Years	Estimated Loss by the Repeal or Reduc- tion of Duties	Estimated Gain by the Imposition or Augmentation of Duties
1835	£ 31,877	£ 75
1836	143,116	797
1837	234	—
1838	289	—
1839	4,950	—
1840	—	1,060,226
1841	27,170	—
1842	1,498,944	160,822
1843	171,521	—
1844	286,431	—
1845	3,603,561	—
1846	735,228	2,000
1847	344,886	—
1848	585,968	—
1849	388,798	—
1850	334,151	—
1851	801,064	—
1852	95,928	—
1853	1,499,474	16,383
	10,553,590	1,240,303
Excess in the amount of Duties repealed or reduced beyond that of those imposed or augmented, from 1835 to 1853, both inclusive	9,313,287	

¹ First Report of the Commissioners of Customs, 1857.

APPENDIX No. XIII.

THE GROSS RECEIPT OF THE CUSTOMS REVENUE OF THE UNITED
KINGDOM IN EACH YEAR FROM 1835 TO 1855.

Years		Gross Receipt	Years		Gross Receipt
		£			£
1835	. .	23,148,899	1847	. .	21,824,010
1836	. .	23,959,037	1848	. .	22,785,942
1837	. .	22,907,616	1849	. .	22,483,956
1838	. .	23,210,881	1850	. .	22,194,142
1839	. .	23,508,681	1851	. .	22,373,662
1840	. .	23,657,943	1852	. .	22,312,514
1841	. .	23,821,486	1853	. .	22,737,284
1842	. .	22,771,315	Year ended 31st		
1843	. .	22,850,169	March .		
1844	. .	24,277,477	1855	. .	22,245,118
1845	. .	22,007,578	1856	. .	23,481,818
1846	. .	22,611,708			

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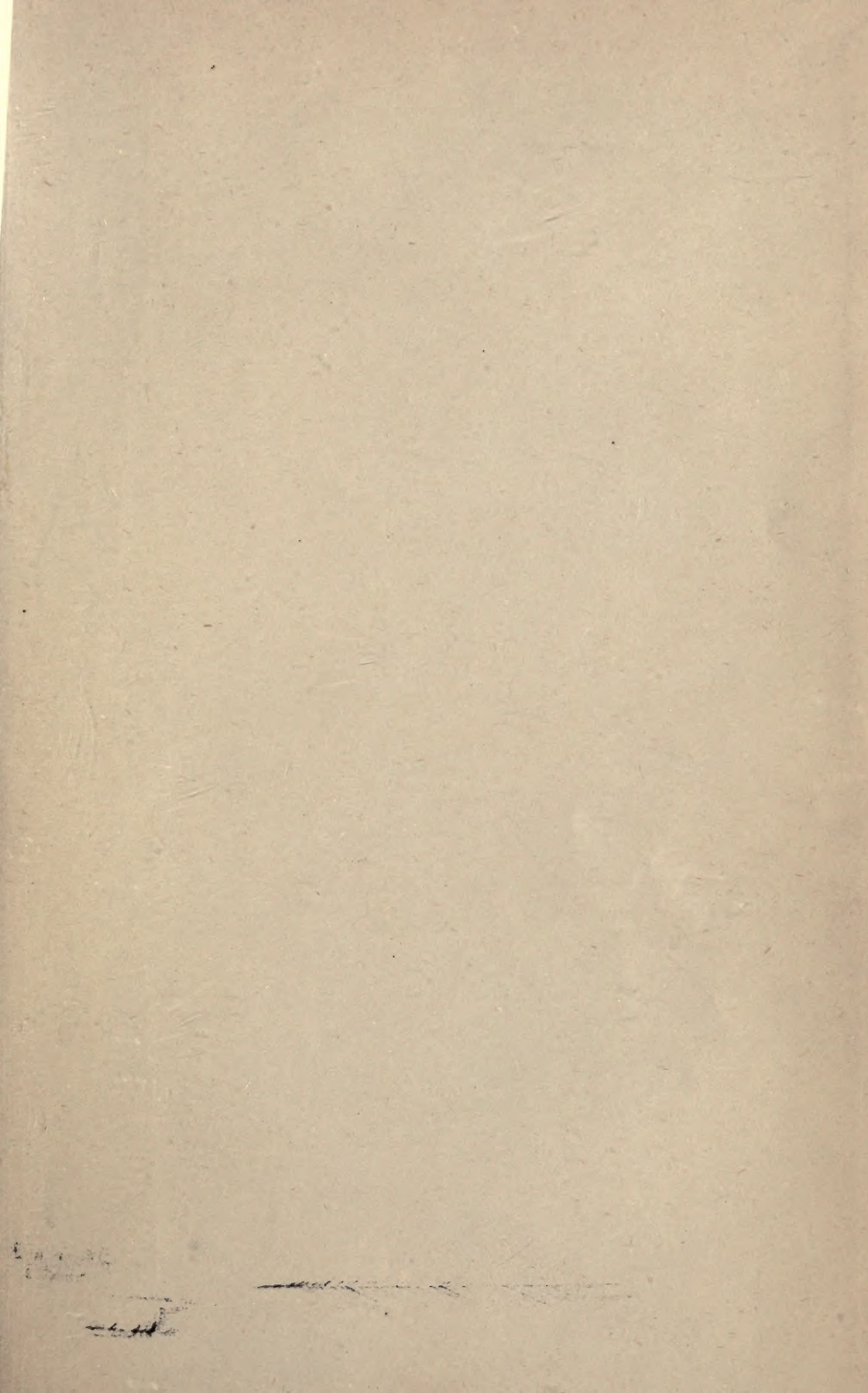
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